CELESTICA INC
Form 20-F
April 21, 2003

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON APRIL 21, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

/ / REGISTRATION STATEMENT PURSUANT TO SECTION 12(B) OR 12(G)
OF THE SECURITIES EXCHANGE ACT OF 1934
OR
/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
OR
/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER: 1-14832

CELESTICA INC.
(Exact name of registrant as specified in its charter)

ONTARIO, CANADA

(JURISDICTION OF INCORPORATION OR ORGANIZATION)

1150 EGLINTON AVENUE EAST
TORONTO, ONTARIO, CANADA M3C 1H7
(ADDRESS OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

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

Subordinate Voting Shares	The Toronto Stock Exchange
(TITLE OF CLASS)	The New York Stock Exchange
	(NAME OF EACH EXCHANGE ON WHICH REGISTERED)
Liquid Yield Option-TM- Notes due 2020	The 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.

189,538,365 Subordinate Voting Shares 0 Preference Shares
39,065,950 Multiple Voting Shares

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 /X/ No / /

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

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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 DECEMBER 1999, CELESTICA COMPLETED A TWO-FOR-ONE SPLIT OF OUR SUBORDINATE VOTING SHARES AND MULTIPLE VOTING SHARES BY WAY OF A STOCK DIVIDEND. WE HAVE RESTATED ALL HISTORICAL SHARE AND PER SHARE INFORMATION TO REFLECT THE EFFECTS OF THIS TWO-FOR-ONE SPLIT ON A RETROACTIVE BASIS, EXCEPT WHERE WE SPECIFICALLY STATE OTHERWISE.

IN THIS ANNUAL REPORT, ALL DOLLAR AMOUNTS ARE EXPRESSED IN UNITED STATES DOLLARS, EXCEPT WHERE WE STATE OTHERWISE. UNLESS 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 GIVEN AS OF FEBRUARY 28, 2003. AT THAT DATE, THE NOON BUYING RATE IN NEW YORK CITY FOR CABLE TRANSFERS IN CANADIAN DOLLARS WAS U.S.$1.00=C$1.4880, AS CERTIFIED FOR CUSTOMS PURPOSES BY THE FEDERAL

RESERVE BANK OF NEW YORK.

UNLESS WE INDICATE OTHERWISE, ALL INFORMATION IN THIS ANNUAL REPORT IS STATED AS OF FEBRUARY 28, 2003.

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 concerning possible or assumed future results of operations of Celestica preceded by, followed by or that include the words "believes," "expects," "anticipates," "estimates," "intends," "plans," or similar expressions. 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.

Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions. 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; the challenge of responding to lower-than-expected customer demand; the effects of price competition and other business and competitive factors generally affecting the electronics manufacturing services, or EMS, industry; our dependence on the information technology and communications industries; our dependence on a limited number of customers and on industries affected by rapid technological change; component constraints; variability of operating results among periods; and the ability to manage our restructuring and the shift of production to lower cost geographies.

We disclaim any intention or obligation to update or revise any forward-looking statements contained in this Annual Report or the documents we incorporate by reference herein, whether as a result of new information, future events, or otherwise.

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 generally accepted accounting principles, or GAAP. These principles conform in all material respects with U.S. GAAP except as described in note 22

to the Consolidated Financial Statements in Item 18. For all the years presented, the selected financial data is prepared in accordance with Canadian GAAP. The differences between the line items under Canadian GAAP and those as determined under U.S. GAAP are not significant except that, under U.S. GAAP:

- our net loss for the year ended December 31, 1998 would be $6.2 million greater due to non-cash charges for compensation expense;
- our net earnings for the year ended December 31, 1999 would be $1.9 million less due to non-cash charges for compensation expense;
- our net earnings for the year ended December 31, 2000 would be $2.5 million less due to non-cash charges for compensation expense and $6.8 million less due to interest on the convertible debt we issued in August 2000, in the principal amount of $1,813.6 million, that would be classified as a long-term liability rather than as an equity instrument;
- our net loss for the year ended December 31, 2001 would be $3.2 million greater due to non-cash charges for compensation expense, $17.7 million greater due to interest on convertible debt classified as a long-term liability rather than as an equity instrument, $2.7 million greater due to other charges, and $12.1 million less due to the gain on a foreign exchange contract; and
- our net loss for the year ended December 31, 2002 would be $3.8 million greater due to non-cash charges for compensation expense, $27.8 million greater due to interest on convertible debt classified as a long-term liability rather than as an equity instrument, $26.5 million greater due to other charges, and $8.4 million less due to gain on repurchase of convertible debt.

	YEAR ENDED DECEMBER 31				
	1998(1)	1999(1)	2000(1)	2001(1)	20
	(in millions, except per share amounts)				
CONSOLIDATED STATEMENTS OF EARNINGS (LOSS) DATA:					
Revenue	$3,249.2	$5,297.2	$9,752.1	$10,004.4	$8,
Cost of sales	3,018.7	4,914.7	9,064.1	9,291.9	7,
Gross profit	230.5	382.5	688.0	712.5	
Selling, general and administrative expenses	130.5	202.2	326.1	341.4	
Amortization of goodwill and intangible assets(2)	45.4	55.6	88.9	125.0	
Integration costs related to acquisitions(3)	8.1	9.6	16.1	22.8	
Other charges(4)	64.7	--	--	273.1	
Operating income (loss)	(18.2)	115.1	256.9	(49.8)	(
Interest expense (income), net(5)	32.3	10.7	(19.0)	(7.9)	
Earnings (loss) before income taxes	(50.5)	104.4	275.9	(41.9)	(
Income tax expense (recovery)	(2.0)	36.0	69.2	(2.1)	
Net earnings (loss)	$ (48.5)	$ 68.4	$ 206.7	$ (39.8)	$ (
Basic earnings (loss) per share(6)	$ (0.47)	$ 0.41	$ 1.01	$ (0.26)	$

Diluted earnings (loss) per share(6).....	$ (0.47)	$ 0.40	$ 0.98	$ (0.26)	$
OTHER DATA:					
Capital expenditures.....	$ 65.8	$ 211.8	$ 282.8	$ 199.3	$

	AS AT DECEMBER 31				
	1998	1999	2000	2001	2
	(in millions)				
CONSOLIDATED BALANCE SHEET DATA:					
Cash and short-term investments.....	$ 31.7	$ 371.5	$ 883.8	$1,342.8	$1,
Working capital(7).....	$ 356.2	$1,000.2	$2,262.6	$2,339.8	$2,
Capital assets.....	$ 214.9	$ 365.4	$ 633.4	$ 915.1	$
Total assets.....	$1,636.4	$2,655.6	$5,938.0	$6,632.9	$5,
Total long-term debt, including current portion.....	$ 135.8	$ 134.2	$ 132.0	$ 147.4	$
Shareholders' equity.....	$ 859.3	$1,658.1	$3,469.3	$4,745.6	$4,

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(1) The consolidated statements of earnings (loss) data for:

1998, 1999, 2000, 2001 and 2002 include the results of operations of the manufacturing operation acquired from Madge Networks N.V. in February 1998, the manufacturing operation acquired from Lucent Technologies Inc. in April 1998, Analytic Design, Inc. acquired in May 1998, the manufacturing operation acquired from Silicon Graphics Inc. in June 1998, and Accu-Tronics, Inc. acquired in September 1998;

1999, 2000, 2001 and 2002 include the results of operations of International Manufacturing Services, Inc., or IMS, acquired December 1998, Signar SRO acquired in April 1999, greenfield operations established in Brazil and Malaysia in June 1999, VXI Electronics, Inc. acquired in September 1999, the assets acquired from Hewlett-Packard's Healthcare Group in October 1999, EPS Wireless, Inc. acquired in December 1999, and certain assets acquired from Fujitsu-ICL Systems Inc. in December 1999;

2000, 2001 and 2002 include the results of operations of the assets of the Enterprise System Group and the Microelectronics Division of IBM in Minnesota and in Italy acquired in February and May 2000, respectively, NDB Industrial Ltda. acquired in June 2000, Bull Electronics Inc. acquired in August 2000, and NEC Technologies (UK) Ltd. acquired in November 2000;

2001 and 2002 includes the results of operations of Excel Electronics, Inc. acquired in January 2001, certain assets of Motorola Inc. in Ireland and Iowa acquired in February 2001, certain assets of a repair facility of N.K. Techno Co., Ltd. in Japan acquired in March 2001, certain assets of Avaya Inc. in Arkansas and Colorado acquired in May 2001, Sagem CR s.r.o. acquired in June 2001, certain assets of Avaya Inc. in France acquired in August 2001, certain assets of Lucent Technologies Inc. in Ohio and Oklahoma acquired in August 2001, Primetech Electronics Inc. acquired in August 2001, and Omni Industries Limited acquired in October 2001; and

2002 includes the results of operations of certain assets of NEC Corporation in Miyagi and Yamanashi, Japan acquired in March 2002, and certain assets of Corvis Corporation in the United States acquired in August 2002.

(2) Effective January 1, 1998, we revised the estimated useful life of our goodwill and intellectual property for accounting purposes from 20 years each to 10 years and 5 years, respectively.

In 2001, the Canadian Institute of Chartered Accountants (CICA) approved Handbook Sections 1581, "Business combinations" and 3062, "Goodwill and other intangible assets." The new standards mandate the purchase method of accounting for business combinations and require that the value of the shares issued in a business combination be measured using the average share price for a reasonable period before and after the date the terms of the acquisition are agreed to and announced. The new standards are substantially consistent with U.S. GAAP.

Effective July 1, 2001, goodwill acquired in business combinations completed after June 30, 2001 has not been amortized. Celestica has fully adopted these new standards as of January 1, 2002, and discontinued amortization of all existing goodwill. We also evaluated existing intangible assets, including estimates of remaining useful lives, and have reclassed $9.1 million from intellectual property to goodwill, as of January 1, 2002, to conform with the new criteria.

Section 3062 required the completion of a transitional goodwill impairment evaluation within six months of adoption. Any transitional impairment would have been recognized as an effect of a change in accounting principle and would have been charged to opening retained earnings as of January 1, 2002. We completed the transitional goodwill impairment assessment during the second quarter of 2002, and determined that no impairment existed as of the date of adoption. Under U.S. GAAP, any transitional impairment charge would have been recognized in earnings as a cumulative effect of a change in accounting principle.

Effective January 1, 2002, we had unamortized goodwill of $1,137.9 million which is no longer being amortized. This change in accounting policy is not applied retroactively and the amounts presented for prior periods have not been restated for this change. The following table shows the impact of this change as if the policy had been applied retroactively to 2001:

	YEAR ENDED DECEMBER 31	
	2001	2002
	(in millions, except per share amounts)	
Net loss as reported	$ (39.8)	$(445.2)
Add back: goodwill amortization	39.2	--
Net loss before goodwill amortization	$ (0.6)	$(445.2)
Basic loss per share:		
As reported	$ (0.26)	$ (1.98)
Before goodwill amortization	$ (0.07)	$ (1.98)

Diluted loss per share:

As reported	$ (0.26)	$ (1.98)
Before goodwill amortization	$ (0.07)	$ (1.98)

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

(4) In 1998, other charges totaled $64.7 million ($51.5 million after income taxes), comprised of non-cash charges of $35.0 million relating to the write-down of intellectual property, $6.8 million of goodwill which became impaired as a result of the merger with IMS, a write-off of deferred financing fees and debt redemption fees of $17.8 million relating to the prepayment of debt with the net proceeds of our initial public offering, and other charges of $5.1 million.

In 2001, other charges totaled $273.1 million ($226.4 million after income taxes) comprised of (a) a $237.0 million restructuring charge, and (b) a non-cash charge of $36.1 million relating to the annual impairment assessment of long-lived assets, comprised primarily of a write-down of goodwill and intangible assets.

In 2002, other charges totaled $677.8 million ($562.6 million after income taxes) comprised primarily of (a) a $385.4 million restructuring charge, (b) a non-cash write-down of $203.7 million relating to the annual goodwill impairment assessment, (c) a non-cash write-down of $81.7 million relating to the annual impairment assessment of long-lived assets, primarily a write-down of intangible assets, and (d) a $9.6 million charge for the premium paid and related deferred financing costs on the redemption of our Senior Subordinated Notes.

(5) Interest expense (income) is comprised of interest expense incurred on indebtedness less interest income earned on cash and short-term investments.

(6) In 2001, we retroactively adopted the new CICA Handbook Section 3500, "Earnings per share," which requires the retroactive use of the treasury stock method for calculating diluted earnings per share. This change results in an earnings per share calculation which is consistent with U.S. GAAP.

For purposes of the basic and diluted earnings (loss) per share calculations, the weighted average number of shares outstanding were:

	YEAR ENDED DECEM		
	1998	1999	2000
			(in millions
Basic	103.0	167.2	199.8
Diluted	103.0	171.2	211.8

(7) Calculated as current assets less current liabilities.

EXCHANGE RATE INFORMATION

The rate of exchange as of February 28, 2003 for the conversion of Canadian dollars into United States dollars was U.S. $0.6720. The following table sets

forth the exchange rates for the conversion of U.S.$1.00 into C$1.00 as at the end of the following fiscal periods and the average exchange rates for those periods (based upon the average of the exchange rates on the last day of each month during the periods). The rates of exchange set forth herein are shown as, or are derived from, the reciprocals of the noon buying rates in New York City for cable transfers payable in Canadian dollars, as certified for customs purposes by the Federal Reserve Bank of New York. The source of this data is the Federal Reserve Statistical Releases.

	1998	1999	2000	2001	2
Average(1)	1.4836	1.4858	1.4855	1.5487	1.

	MARCH 2003	FEBRUARY 2003	JANUARY 2003	DECEMBER 2002	NOVEMBER 2002	OC
High	1.4905	1.5315	1.5798	1.5792	1.5903	1
Low	1.4659	1.4880	1.5219	1.5478	1.5528	1

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(1) Calculated by using the averages of the exchange rates as of the last day of each month during the period.

The rate of exchange as of February 28, 2003 for the conversion of United States dollars into Canadian dollars was 1.4880 (U.S.$1 = C$1.4480).

B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

C. REASONS FOR OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

SHAREHOLDERS AND PROSPECTIVE INVESTORS IN CELESTICA SHOULD CAREFULLY CONSIDER EACH OF THE FOLLOWING RISKS AND ALL OF THE OTHER INFORMATION SET FORTH IN THIS ANNUAL REPORT. THE RISKS AND UNCERTAINTIES WE DESCRIBE BELOW ARE NOT THE ONLY ONES FACING OUR COMPANY. ADDITIONAL RISKS AND UNCERTAINTIES NOT CURRENTLY KNOWN TO US OR THAT WE CURRENTLY BELIEVE TO BE IMMATERIAL MAY ALSO ADVERSELY AFFECT OUR BUSINESS.

OUR OPERATING RESULTS FLUCTUATE

Our annual and quarterly results have fluctuated in the past. The reasons for these fluctuations may similarly affect us in the future. Our operating results may fluctuate in the future as a result of many factors, including:

- the volume of orders received relative to our manufacturing capacity;

- fluctuations in material costs and the mix in material costs versus labor and manufacturing overhead costs; and

- variations in the level and timing of orders placed by a customer due to the customer's attempts to balance its inventory, changes in the customer's manufacturing strategy or sourcing plans, and variation in demand for the customer's products. These changes can result from life cycles of customer products, competitive conditions, and general economic conditions.

Any one of the following factors or combinations of these factors could also affect our results of operations for a financial period:

- the level of price competition as a result of the highly competitive nature of our business;

- our past experience in manufacturing a particular product;

- the degree of automation we use in the assembly process;

- whether we are managing our inventories and fixed assets effectively;

- our customer and end-market concentrations;

- the timing of our expenditures in anticipation of increased sales;

- increased or unexpected expenses associated with the shifting of products between manufacturing locations, including transfer delays from higher cost locations;

- customer product delivery requirements and shortages of components or labor;

- the shifting of production by our customers from our operations, to one of our competitor's operations; and

- the timing of, and the price we pay for, our acquisitions and related integration costs.

In addition, most of our customers typically do not commit to firm production schedules for more than 30 to 90 days in advance. Accordingly, we cannot forecast the level of customer orders with certainty. This makes it difficult to order appropriate levels of materials and to schedule production and maximize utilization of our manufacturing capacity. In the past, we have been required to increase staffing, purchase materials, and incur other expenses to meet the anticipated demand of our customers. Sometimes these anticipated orders from certain customers have failed to materialize, and sometimes delivery schedules have been deferred as a result of changes in the customer's business needs. On other occasions, customers have required rapid and sudden increases in production which have placed an excessive burden on our manufacturing capacity. Deferred delivery schedules result in a delay, and may result in a reduction in our revenue from these customers, and also may lead to excess capacity at affected facilities. Also, certain customers may be unable to pay us or otherwise meet their commitments under their agreements or purchase orders with us.

Any of these factors or a combination of these factors could have a material adverse effect on our results of operations.

Prospective investors should not rely on results of operations in any past period to indicate what our results will be for any future period.

WE HAVE HAD RECENT OPERATING LOSSES

We generated net earnings in each of the years from 1993 through 1996, and in 1999 and 2000. We recorded net losses of $6.9 million in 1997, $48.5 million in 1998, $39.8 million in 2001, and $445.2 million in 2002. In 1997, we incurred $13.3 million of integration costs related to acquisitions and a $13.9 million credit loss, with these charges totaling $27.2 million ($17.0 million after income taxes). In 1998, we incurred $8.1 million of integration costs related to acquisitions, a $41.8 million write-down of intellectual property and goodwill, a write-off of deferred financing fees and debt redemption fees of $17.8 million, and $5.1 million of charges related to the acquisition of IMS with these charges totaling $72.8 million ($56.5 million after income taxes). In 2001, we incurred $22.8 million of integration costs related to acquisitions, $237.0 million of restructuring charges, and a $36.1 million write-down of certain assets, primarily goodwill and intangible assets, with these charges totaling $295.9 million ($245.2 million after income taxes). In 2002, we incurred $21.1 million of integration costs related to acquisitions, $385.4 million of restructuring charges, a $285.4 million write-down of certain assets, primarily goodwill and intangible assets, and $9.6 million in deferred financing costs and debt redemption fees, with these charges totaling $701.5 million ($582.2 million after income taxes). We may not be profitable in future periods. In response to the continued limited visibility in end markets, we plan to further reduce our manufacturing capacity. The reduction in capacity will result in an estimated pre-tax restructuring charge of between $50.0 million and $70.0 million, to be recorded during 2003. If end-market conditions were to weaken significantly from current levels, we may undertake additional restructuring activities, thereby reducing profitability in future periods.

WE ARE EXPOSED TO CHANGES IN GENERAL ECONOMIC CONDITIONS

As a result of unfavorable general economic conditions and reduced demand for technology capital goods, our sales have been particularly volatile in recent quarters. Specifically, since the first fiscal quarter of 2001, we have seen declines in the demand for products in the end markets that we serve. If global economic conditions in

the markets we serve do not improve, we may experience a continued material adverse impact on our business, operating results and financial condition.

THE WAR IN IRAQ, 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, sustained military action in Iraq, other conflicts in the Middle East and Asia, strained international relations arising from these conflicts and the related decline in consumer confidence and continued economic weakness, may hinder our ability to do business and may adversely affect our stock price. Any escalation in these events or similar future events may disrupt our operations or those of our customers and suppliers and may 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 adversely affects our revenues and results of operations. The impact of these events on the volatility of the U.S. and world financial markets could increase the volatility in our stock price and may limit the capital resources available to us and our customers or suppliers.

WE ARE UNCLEAR HOW THE SEVERE ACUTE RESPIRATORY SYNDROME (SARS) OUTBREAK WILL IMPACT OUR BUSINESS

We, our suppliers, and our customers have manufacturing operations in Asia, the geographic region most directly affected by the current outbreak of the SARS virus. Existing bans being imposed by some employers on non-essential travel to this region could begin to impact business in that region, including postponement of factory maintenance and delay in customer qualification of our manufacturing facilities for new programs. The continuation of this disease outbreak in Asia, or its expansion in other regions where we or our customers or suppliers have operations, could also disrupt our manufacturing supply chain and adversely affect our operations through higher operating expenses, lower or delayed production volumes resulting in weaker than expected utilization of our facilities, and delays in product transfer activities from higher to lower cost facilities as we implement our restructuring programs.

OUR RESULTS CAN BE AFFECTED BY LIMITED AVAILABILITY OF COMPONENTS

A significant portion of our costs reflects component purchases. A majority of the products we manufacture require one or more components that we order from sole-source suppliers of these particular components. Supply shortages for a particular component can delay production of all products using that component or cause price increases in the services we provide. In addition, at various times there have been industry-wide shortages of electronic components. Such shortages, or future fluctuations in material costs, may have a material adverse effect on our business or cause our results of operations to fluctuate from period to period. Also, we rely on a variety of common carriers for materials transportation and route materials through various world ports. A work stoppage, strike or shutdown of a 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.

WE DEPEND ON CERTAIN INDUSTRIES

Our financial performance depends on our customers' viability, financial stability, and the demand for our customers' end-market products. Our customers, in turn, depend substantially on the growth of the information technology and communications industries. These industries are characterized by rapidly changing technologies and shortening product life cycles. These industries have been experiencing severe revenue erosion, pricing and margin pressures, excess inventories, and increased difficulty in attracting capital. These factors affecting the information technology and communications industries in general, and the impact these factors might have from time to time on our customers in particular, could continue to have a material adverse effect on our business.

WE FACE CUSTOMER CREDIT RISK

We generate significant accounts receivable and inventory balances in providing manufacturing services to our customers. We may encounter significant delays or defaults in payments owed to us by customers.

WE DEPEND ON A LIMITED NUMBER OF CUSTOMERS

Our three largest customers in 2002 were IBM Corporation, Sun Microsystems Inc., and Lucent Technologies Inc., which each represented more than 10% of our total 2002 revenue and collectively represented 48% of our total 2002 revenue. Our next seven largest customers collectively represented 37% of our total revenue in 2002. IBM Corporation, Sun Microsystems Inc., and Lucent Technologies Inc., our three largest customers in 2001, each represented more than 10% of our total 2001 revenue and collectively represented 55% of our total

2001 revenue. Our next seven largest customers represented 29% of total 2001 revenue. We expect to continue to depend upon a relatively small number of customers for a significant percentage of our revenue.

Our mix of business with customers in higher complexity communications and information technology products had a major impact on our results in 2002 as spending in these areas was adversely affected. We saw the biggest declines in revenues from our top 10 customers, which represent over 80% of our business.

Other than in the case of asset acquisitions, otherwise known as "OEM divestitures," we generally do not enter into long-term supply commitments with our customers. Instead, we bid on a project basis and have supply contracts or purchase orders in place for each project. We are dependent on customers to fulfill the terms associated with these orders and/or contracts. Significant reductions in, or the loss of, sales to any of our largest customers would have a material adverse effect on us. OEM divestitures often entail long-term supply agreements between ourselves and the OEM customer, and we are similarly dependent on customers to fulfill their obligations under these contracts.

OUR CUSTOMERS MAY CANCEL THEIR ORDERS, CHANGE PRODUCTION QUANTITIES OR DELAY PRODUCTION

Our customers are increasingly dependent on EMS providers for new product introductions and rapid response times to volume requirements. We generally do not obtain firm, long-term purchase commitments from our customers and we often experience reduced lead-times in customers' orders. Customers may cancel their orders, change production quantities, or delay production for a number of reasons. The uncertain economic condition of our customers' end markets and general order volume volatility has 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. Cancellation, reduction, or delays by a significant customer, or by a group of customers, would seriously harm our results of operations by reducing the volumes of products manufactured and delivered by us for the customers in that period. Such order changes could also cause a delay in the repayment to us for inventory expenditures we incurred in preparation for the customer orders. Order cancellations and delays could also lower asset utilization, resulting in higher productive assets and lower margins.

WE FACE RISKS ARISING FROM THE RESTRUCTURING OF OUR OPERATIONS

We have undertaken numerous initiatives to restructure and reduce our capacity in response to the difficult economic climate, with the intention of improving utilization and realizing cost savings in the future. These initiatives have included changing the number and location of our production facilities, largely to align our capacity and infrastructure with anticipated customer demand, and to rationalize our footprint worldwide. This alignment includes transferring programs from higher cost geographies to lower cost geographies. The process of restructuring entails, among other activities, moving product production between facilities, reducing staff levels, realigning our business processes and reorganizing our management. Any failure to successfully execute these initiatives can have a material adverse impact on our results. If, in the future, our customer demand falls, or we are required to reduce prices, at a rate exceeding the rate at which we are able to reduce our costs, this could have a material adverse impact on our operating results.

WE MAY NOT BE ABLE TO RESTRUCTURE QUICKLY ENOUGH IN SOME OF OUR KEY MANUFACTURING REGIONS, SUCH AS EUROPE

We have operations in multiple regions around the world. As a result, we are subject to different regulatory requirements governing how quickly we are able

to reduce manufacturing capacity and terminate related employees. Restrictions on our ability to close under-performing facilities will result in higher expenses associated with carrying excess capacity and infrastructure during our restructuring activities.

CHANGES IN OUR INDUSTRY REQUIRE US TO MOVE A SIGNIFICANT PORTION OF OUR MANUFACTURING BASE TO LOWER COST REGIONS

With the significant and severe weakness in technology end markets over the past two years, our customers require significant cost reductions in order to maintain sales and improve their financial performance. This environment has resulted in an accelerated 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 Central Europe. This accelerated move could impact current and future results by such factors as increasing the risks associated with transferring production to new regions where skills or experience may be more limited than in higher cost regions, higher operating expenses during the transition, and additional restructuring costs associated with the decrease in production levels in higher cost geographies.

WE FACE RISKS DUE TO OUR INTERNATIONAL OPERATIONS

During 2002, approximately 40% of our revenue was produced from locations outside of North America. In addition, we purchased material from international suppliers for much of our business, including our North American business. We believe that our future growth depends in large part on our ability to increase our business in international markets and, as we describe above, the shift of much of our production to lower cost geographies. We will continue to expand our operations outside of North America. This expansion will require significant management attention and financial resources. International operations are subject to inherent risks, which may adversely affect us, including:

- labor unrest;
- unexpected changes in regulatory requirements;
- tariffs, import and export duties, value-added taxes and other barriers;
- less favorable intellectual property laws;
- difficulties in staffing and managing foreign sales and support operations;
- longer accounts receivable payment cycles and difficulties in collecting payments;
- changes in local tax rates and other potentially adverse tax consequences, including the cost of repatriation of earnings;
- lack of acceptance of locally manufactured products in other foreign countries;
- 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 Canadian and U.S. trade policies with the other 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.

We have either purchased or built manufacturing facilities in numerous Asian countries, including Thailand, Malaysia, China, Indonesia, and Singapore, and are subject to the significant political, economic, and legal risks associated with doing business in these countries. For instance, under its current leadership, the Chinese government has instituted a policy of economic reform which has included encouraging foreign trade and investment, and greater economic decentralization. However, the Chinese government may discontinue or change these policies, and these policies may not be successful. Moreover, despite progress in developing its legal system, China does not have a comprehensive and highly developed system of laws, particularly as it relates to foreign investment activities and foreign trade. Enforcement of existing and future laws and contracts is uncertain, and implementation and interpretation of such laws may be inconsistent. As the Chinese legal system develops, new laws and changes to existing laws may adversely affect foreign operations in China. While Hong Kong has had a long history of promoting foreign investment, its incorporation into China means that the uncertainty related to China and its policies may now also affect Hong Kong. Thailand and Indonesia have also had a long history of promoting foreign investment but have experienced economic and political turmoil and a significant devaluation of their currencies in the recent past. There is a risk that economic and political turmoil may result in the reversal of current policies encouraging foreign investment and trade, restrictions on the transfer of funds overseas, employee turnover, labor unrest, or other domestic problems that could adversely affect us.

OUR RECENT CAPACITY REDUCTION ACTIVITIES AND MANUFACTURING RESTRUCTURING PROGRAMS MAY IMPACT OUR ABILITY TO MEET THE GROWTH NEEDS OF OUR CUSTOMERS

With the significant and severe weakness in technology end markets over the past two years, we have experienced poor asset utilization and responded by significantly reducing our manufacturing infrastructure. If our customers were to experience sharp and unforecasted improvements in demand, the removal of this infrastructure could potentially impact customer satisfaction and limit our ability to grow if we are not able to respond to higher volumes required by our customers.

WE FACE FINANCIAL RISKS DUE TO FOREIGN CURRENCY FLUCTUATIONS

The principal currency in which we conduct our operations is U.S. dollars. However, some of our subsidiaries transact business in foreign currencies, such as Canadian dollars, Mexican pesos, British pounds sterling, Euros, Singapore dollars, Japanese yen, Brazilian reais, and the Thai baht. We may sometimes enter into hedging transactions to minimize our exposure to foreign currency and interest rate risks. Our current hedging activity is designed to reduce the variability of our foreign currency costs and consists of contracts to purchase or sell these foreign currencies at future dates. In general, these contracts extend for periods of less than 19 months. Our hedging transactions may not successfully minimize foreign currency risk.

INTEREST RATE DECREASES WILL REDUCE INTEREST INCOME ON OUR PORTFOLIO OF CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

The primary objective of our investment activities is to preserve principal

while, at the same time, maximize yields without significantly increasing risk. To achieve this objective, we maintain our portfolio of cash equivalents and short-term investments in a variety of securities, including both government and corporate obligations, certificates of deposit, and money market funds. If interest rates, and therefore interest income, were to fall significantly, there may be a material adverse impact on our financial results.

WE DEPEND ON HIGHLY SKILLED PERSONNEL

The recruitment of personnel for 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 us.

WE ARE IN A HIGHLY COMPETITIVE INDUSTRY

We are in a highly competitive industry. We compete against numerous domestic and foreign companies. Two of our competitors, Flextronics International and Solectron Corporation, each have revenue in excess of $12.0 billion for fiscal 2002 and one of our competitors, Sanmina-SCI Corporation, has revenue in excess of $8.0 billion for fiscal 2002. We also face indirect competition from the manufacturing operations of our current and prospective customers, which continually evaluate the merits of manufacturing products internally rather than using EMS providers. Some of our competitors have more geographically diversified international operations, a greater production presence in lower cost geographies as well as substantially greater manufacturing, financial, procurement, research and development, and marketing resources than we have. These competitors may create alliances and rapidly acquire significant market share. Accordingly, our current or potential competitors may develop or acquire services comparable or superior to those we develop, combine or merge to form significant 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 price reductions, reduced profits, or loss of market share, any of which could materially and adversely affect us. We may not be able to compete successfully against current and future competitors, and the competitive pressures that we face may materially adversely affect us. The EMS industry has been experiencing an increase in excess manufacturing capacity. This has and will continue to exert additional pressures on pricing for components and services, thereby increasing the competitive pressures in the EMS industry. Excess capacity will limit the industries ability to attain economics of scale and other synergies.

WE DEPEND ON THE CONTINUING TREND OF OUTSOURCING BY OEMS

Future growth in our revenue depends on new outsourcing opportunities in which we assume additional manufacturing and supply chain management responsibilities from OEMs. To the extent that these opportunities are not available, either because OEMs decide to perform these functions internally or because they use other EMS providers, our future growth will be limited.

WE MAY BE UNABLE TO KEEP PACE WITH 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 develop and to market manufacturing services which meet changing customer needs, to maintain technological leadership, and to successfully anticipate or respond to technological changes in production and manufacturing processes in

cost-effective and timely ways. Our manufacturing processes, test development efforts, and design capabilities may not be successful.

OUR CUSTOMERS MAY BE ADVERSELY AFFECTED BY RAPID TECHNOLOGICAL CHANGE

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 life cycles. 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, our business could be materially adversely affected.

WE MAY BE UNABLE TO PROTECT OUR INTELLECTUAL PROPERTY

We believe that certain of our proprietary intellectual property rights and information give us 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 or our customers 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.

WE ARE SUBJECT TO THE RISK OF INCREASED INCOME TAXES

Our business operations are carried on 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 conduct of our business and the tax laws, administrative practices and judicial decisions now in effect in the countries in which we have assets or conduct business, all of which are subject to change or differing interpretations, possibly with retroactive effects.

OUR COMPLIANCE WITH ENVIRONMENTAL LAWS COULD BE COSTLY

Like others in similar businesses, we are subject to extensive environmental laws and regulations in numerous jurisdictions. Our environmental policies and practices have been designed to ensure compliance with these laws and regulations consistent with local practice. Future developments and increasingly stringent regulation could require us to incur additional expenditures relating to environmental matters at any of the facilities. Achieving and maintaining compliance with present, changing, and future environmental laws could restrict our ability to modify or expand our facilities or continue production. This compliance could also require us to acquire costly equipment or to incur other significant expenses.

Some of our operating sites have a history of industrial use. Soil and groundwater contamination have occurred at some of our facilities. Certain environmental laws impose liability for the costs of removal or remediation of hazardous or toxic substances on an owner, occupier or operator of real estate, even if such person or company was not aware of or responsible for the presence of such substances. In addition, in some countries in which we have operations, any person or company who arranges for the disposal or treatment of hazardous or toxic substances at a disposal or treatment facility may be liable for the costs of removal or remediation of such substances at such facility, whether or not the person or company owns or operates the facility. From time to time we investigate, remediate, and monitor soil and groundwater contamination at certain of our operating sites. In certain instances where soil or groundwater contamination existed prior to our ownership or occupation of a site, landlords or former owners have contractually retained responsibility and liability for the contamination and its remediation. However, failure of such former owners or landlords to perform, as the result of financial inability or otherwise, could result in our company being required to remediate such contamination.

Except for facilities we acquired in the Omni transaction, we obtained Phase I or similar environmental assessments, or reviewed recent assessments initiated by others, for most of the manufacturing facilities that we own or lease at the time we either acquired or leased such facilities. Typically, these assessments include general inspections without soil sampling or groundwater analysis. Where contamination is suspected, Phase II intrusive environmental assessments (including soil and/or groundwater testing) are usually performed. These assessments have not revealed any environmental liability that we believe, based on current information, will have a material adverse effect on us, in part because of the contractual retention of liability for some contamination and its remediation by landlords and former owners. Our assessments may not reveal all environmental liabilities and current assessments are not available for all facilities. Consequently, there may be material environmental liabilities of which we are not aware. In addition, ongoing clean up and containment operations may not be adequate for purposes of future laws. The conditions of our properties could be affected in the future by the conditions of the land or operations in the vicinity of the properties (such as the presence of underground storage tanks). These developments and others (such as increasingly stringent environmental laws, increasingly strict enforcement of environmental laws by governmental authorities, or claims for damage to property or injury to persons resulting from the environmental, health, or safety impact of our operations) may cause us to incur significant costs and liabilities that could have a material adverse effect on us.

OUR LOAN AGREEMENTS CONTAIN RESTRICTIVE COVENANTS

Certain of our outstanding loan agreements 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, and merge or consolidate with other entities.

POTENTIAL ADVERSE EFFECT OF SHARES ELIGIBLE FOR FUTURE SALE

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.

As of February 28, 2003, we had 189,102,903 subordinate voting shares and 39,065,950 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 3,483,238 subordinate voting shares held by 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 Celestica.

In addition, as of February 28, 2003, there were approximately 33,497,000 subordinate voting shares reserved for issuance under our employee share purchase and option plans and for director compensation,

including outstanding options to purchase approximately 25,536,000 shares. The issuances and/or sale of such shares could adversely affect the market price of the subordinate voting shares.

OUR COMPANY IS CONTROLLED BY ONEX CORPORATION

Onex owns, directly or indirectly, all of the outstanding multiple voting shares and less than 1% of the outstanding subordinate voting shares. The number of shares owned by Onex, together with those shares Onex has the right to vote, represent 84% of the voting interest in Celestica and approximately 2% of the 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 to approve significant corporate transactions such as certain amendments to our articles of incorporation, mergers, amalgamations, plans of arrangement, and the sale of all or substantially all of our assets. Onex' 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 facilities, if Onex ceases to control Celestica and if our shares cease to be widely held ("widely held" meaning that no one person owns more than 20% of the votes), our lenders could demand repayment. Gerald W. Schwartz, the Chairman, President and Chief Executive Officer of Onex and one of our directors, owns shares with a majority of the voting rights of the shares of Onex. Mr. Schwartz, therefore, effectively controls our affairs. For additional information about our principal shareholders, please turn to Item 7(A), "Major Shareholders."

In private placements outside of the United States, certain subsidiaries of Onex have offered exchangeable debentures due 2025 that are exchangeable and redeemable under certain circumstances during their 25-year term for 9,214,320 subordinate voting shares. In addition, 1,757,467 subordinate voting shares may be delivered, at the option of Onex or certain persons related to Onex, to satisfy the obligations of such persons under equity forward agreements. If the issuers of the exchangeable debentures elect or the party to the equity forward agreements elects to deliver solely subordinate voting shares and no cash upon the exchange or redemption, or at maturity or acceleration, of the debentures or the settlement of the equity forward agreement, as the case may be, the number of shares owned by Onex, together with those shares Onex has the right to vote, would, if such delivery had occurred on February 28, 2003, represent in the aggregate 78% of the voting interest in our company.

POTENTIAL VOLATILITY OF SHARE PRICE

The markets for our subordinate voting shares are highly volatile. The trading price of subordinate voting shares could fluctuate widely in response to:

- quarterly variations in our operations and financial results;

- announcements by us or our competitors of technological innovations, new products, new contracts or acquisitions;

- changes in our prices or the prices of our competitors' products and services;

- changes in our product mix;

- changes in our growth rate as a whole or for a particular portion of our business;

- general conditions in the EMS industry; and

- systemic fluctuations in the stock markets.

The stock markets have fluctuated widely in the past. The securities of many technology companies, including companies in the EMS industry, have experienced extreme price and volume fluctuations, which often have been unrelated to the companies' operating performance. These broad market fluctuations may adversely affect the market price of the subordinate voting shares.

POTENTIAL UNENFORCEABILITY OF CIVIL LIABILITIES AND JUDGMENTS

We are incorporated under the laws of the Province of Ontario, Canada. Most 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 for shareholders to initiate a lawsuit within the United States against these non-U.S. residents, or to enforce, in the U.S., judgments which are obtained in a U.S. court against us or these persons. It may also be difficult for shareholders to enforce a U.S. judgment in Canada or to succeed in a Canadian court, in a lawsuit based only on U.S. securities laws.

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

Celestica was 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 1150 Eglinton Avenue East, Toronto, Ontario, Canada M3C 1H7 and our telephone number is (416) 448-5800. Our Web site is http://www.celestica.com. Information on our Web site is not incorporated by reference in this Annual Report.

We are a world leader in the delivery of innovative electronics manufacturing services. We operate a highly sophisticated global manufacturing network with operations in Asia, Europe, and the Americas, providing a broad range of services to leading OEMs. A recognized leader in quality, technology, and supply chain management, Celestica provides competitive advantage to customers by improving time-to-market, scalability, and manufacturing efficiency.

As an important IBM manufacturing unit, Celestica provided manufacturing

services to IBM for more than 75 years. In 1993, we began providing EMS services to non-IBM customers. In October 1996, Celestica was purchased from IBM by an investor group, led by Onex, which included our management.

OUR ACQUISITIONS

A listing of our acquisitions since 1998 is included in note (1) to the Selected Financial Data table, see Item 3, "Key Information -- Selected Financial Data."

In 2002, we completed the acquisition of:

- certain manufacturing assets of NEC Corporation in Miyagi and Yamanashi, Japan; and

- certain assets from Corvis Corporation in the United States.

In connection with these acquisitions, we also entered into supply agreements. The aggregate purchase price for these acquisitions was $111.0 million.

Certain information concerning capital expenditures, including acquisitions and financing activities, is set forth in notes 3, 9, 10, 11, and 20 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."

Certain information concerning our divestiture activities, such as restructuring, is set forth in note 13 to the Consolidated Financial Statements in Item 18, in Item 4, "Information on the Company -- Description of Property," and Item 5, "Operating and Financial Review and Prospects -- Management's Discussion and Analysis of Financial Condition and Results of Operations."

B. BUSINESS OVERVIEW

Our goal is to be the "partner of choice" in EMS. We believe we are uniquely positioned to achieve this goal given our position as one of the major EMS providers worldwide and our widely recognized skills in our core areas of competency. The Company's strategy is to (i) maintain our leadership position in the areas of

technology, quality, and supply chain management, (ii) develop profitable, strategic relationships with industry leaders, (iii) continually expand the range of the services we provide to OEMs, (iv) diversify our customer base, serving a wide variety of end markets, (v) selectively pursue strategic acquisitions, and (vi) steadily improve our operating margins. We believe that the successful implementation of this strategy will allow us to achieve superior financial performance and enhance shareholder value.

We have operations in the Americas, Europe, and Asia. We provide a wide variety of products and services to our customers, including the manufacture, assembly, and test of complex printed circuit assemblies, or PCAs, and the full system assembly of final products. In addition, we provide a broad range of EMS services from product design to worldwide distribution and after-sales support.

Celestica targets industry-leading OEMs primarily in the information technology and communications sectors. Celestica supplies products and services to over 100 OEMs. In the aggregate, our top ten customers represented over 80% of revenue in 2002. The products we manufacture can be found in a wide array of end products, including: cell phones and pagers, electronic metering devices,

hubs and switches, LAN and WAN networking cards, laser printers, mainframe computers, mass storage devices, medical products, modems, multimedia peripherals, PBX switches, personal computers, PDAs, photonic devices, routers, scalable processors, servers, switching products, token ring products, video broadcasting equipment, wireless base stations, wireless loop systems, and workstations.

Our principal competitive advantages are our advanced capabilities and leadership in the areas of technology, quality and supply chain management. We are an industry leader in a wide range of advanced manufacturing technologies, using established and emerging process technologies. We believe our test capabilities are among the best in the industry and enable us to produce highly reliable products, including products that are critical to the functioning of our customers' products and systems. Our size, geographic reach, and leading 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 gives us a distinct competitive advantage. Through innovative compensation and broad-based employee stock ownership, we have developed a unique entrepreneurial, participative and team-based culture.

ELECTRONICS MANUFACTURING SERVICES INDUSTRY

OVERVIEW

The EMS industry is comprised of companies that provide a range of manufacturing services to OEMs. The industry (i) has experienced rapid growth in the past and has potential for growth in the future as the market for outsourcing, as a whole, grows, (ii) is highly fragmented and (iii) is poised for continuing consolidation due to the advantages of scale and geographic diversity. In 2002, two EMS providers -- Flextronics International and Solectron Corporation -- each achieved total revenue in excess of $12.0 billion, and two EMS providers -- Celestica and Sanmina-SCI Corporation -- each achieved total revenue in excess of $8.0 billion.

We see numerous industry vectors that are fueling the EMS industry. These include the continuing trend of information technology and communications companies to outsource their electronics manufacturing and to divest their manufacturing assets; OEMs in Japan increasingly execute an electronics manufacturing outsourcing strategy; the increasing adoption of an outsourcing strategy by the industrial, medical, military, and consumer electronics industries; and OEMs increasingly looking to the EMS industry to reduce their overall cost of goods sold and to provide a full range of services including design, system build, order fulfillment, reverse logistics, and other related manufacturing and customer support services.

In the current weak economic environment, the industry is dealing with the challenges of low utilization rates and the shifting of more production and manufacturing infrastructure to lower cost geographies. However, we believe that as the trend to outsourcing continues, OEMs will increasingly outsource more of their manufacturing and related services to EMS providers. This trend will favor larger EMS providers that have clear advantages of scale, financial strength, geographic diversity, and leading supply chain capabilities, and is expected to lead to a sustained period of consolidation in the EMS industry.

EVOLUTION OF THE EMS INDUSTRY

Historically, OEMs were fully integrated. They invested heavily in

manufacturing assets, establishing facilities around the world to support the manufacture, service and distribution of their products. Since the 1970s, the EMS market has evolved significantly. In the early stages of development of the EMS industry, EMS companies acted as subcontractors and performed simple material assembly functions mainly on a consignment basis for OEMs. Accordingly, the relationship between OEMs and EMS providers tended originally to be transactional in nature.

Significant advancements in manufacturing process technology in the 1980s enabled EMS companies to provide cost savings to OEMs while at the same time increasing the quality of their products. Furthermore, as the capabilities of EMS companies expanded, an increasing number of OEMs adopted and became increasingly reliant upon manufacturing outsourcing strategies. In recent years, large sophisticated EMS companies have further expanded their capabilities to include providing services in support of their OEM customers, ranging from design to advanced manufacturing, final distribution and after-sales support. For the services they provide, the larger EMS companies generally have a lower cost structure, superior technological know-how and more advanced manufacturing processes relative to most of the OEM customers they serve. In this environment, OEMs have begun increasingly to outsource front-end design functions as well as back-end full system assembly, product test, test development, order fulfillment and distribution functions.

By outsourcing their manufacturing and related services, OEMs are able to focus on their core competencies, including product development, sales, marketing and customer service, while leveraging the expertise of EMS providers for design, procurement, assembly and test operations, and supply chain management. As a result, larger, more sophisticated EMS providers have established strong strategic relationships with many of their OEM customers.

The Company believes that the principal reasons OEMs establish relationships with EMS providers include the following:

DECREASE TIME TO MARKET. Electronics products are experiencing increasingly shorter product life cycles, 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, quick-turn prototype development and rapid ramp-up of new products to high volume production, with the critical support of worldwide supply chain management.

REDUCE OPERATING COSTS AND INVESTED CAPITAL. As electronics products have become more technically advanced, the manufacturing process has become increasingly automated, requiring greater levels of investment in capital equipment. EMS companies enable OEMs to gain access to advanced manufacturing facilities, supply chain management and engineering capabilities, additional capacity, greater flexibility for both product ramp-up and changeover, and the economies of scale which EMS companies provide. As a result, OEMs can reduce overall operating costs, working capital and capital investment requirements.

FOCUS RESOURCES ON CORE COMPETENCIES. The electronics industry is experiencing greater levels of competition and rapid technological change. In this environment, many OEMs are seeking to focus on their core competencies of product development, sales, marketing and customer service, and to outsource design, manufacturing and related requirements to their EMS partners.

ACCESS LEADING MANUFACTURING TECHNOLOGIES. Electronics products and electronics manufacturing technology have become increasingly sophisticated and complex, making it difficult for many OEMs to maintain the necessary technological expertise and focus required to efficiently manufacture products internally. By working closely with EMS providers, OEMs gain access to high

quality manufacturing expertise and capabilities in the areas of advanced process, interconnect and test technologies.

UTILIZE EMS COMPANIES' PROCUREMENT, INVENTORY MANAGEMENT AND LOGISTICS EXPERTISE. OEMs who manufacture internally are faced with greater complexities in planning, procurement and inventory management due to frequent design changes, short product life cycles and product demand fluctuations. OEMs can address

these complexities by outsourcing to EMS providers that (i) possess sophisticated supply chain management capabilities, and (ii) can leverage significant component procurement advantages to lower product costs.

IMPROVE ACCESS TO GLOBAL MARKETS. OEMs are generally increasing their international activities in an effort to expand sales through access to foreign markets. EMS companies with worldwide capabilities are able to offer such OEMs global manufacturing solutions, to meet local content requirements, distribute products efficiently around the world and lower costs.

KEY SUCCESS FACTORS

Celestica believes that the following are the key success factors for EMS providers seeking to establish and expand relationships with leading OEMs:

SOPHISTICATED TECHNOLOGICAL CAPABILITIES. The desire among OEMs to increase product performance, functionality and quality is driving a requirement for increasingly complex assembly and test technologies. EMS companies that possess sophisticated skills in manufacturing technology, and that continually innovate and develop advanced assembly and test techniques, provide a competitive advantage to their OEM customers. We believe that as the trend to outsourcing continues, OEMs will increasingly outsource more complex products.

LARGE-SCALE AND FLEXIBLE PRODUCTION CAPACITY. Increasingly, leading OEMs are seeking to outsource large-scale manufacturing programs. Generally those EMS providers that can meet the volume and sensitive time-to-market requirements associated with these programs will be able to exploit these opportunities. EMS providers must be of a certain scale and diversity to be awarded large-scale programs, as OEMs are often seeking partners with the resources to support simultaneous product launches in multiple geographic markets.

GLOBAL SUPPLY CHAIN MANAGEMENT SKILLS. EMS providers must possess the skills required to optimize many aspects of the OEM's global supply chain, from managing a sophisticated supplier base, component selection and cost-effective procurement to inventory management and rapid distribution direct to end customers. Therefore, EMS providers who lack the sophisticated material resource planning and information technology systems necessary to effectively optimize the supply chain will be significantly disadvantaged in the marketplace.

BROAD SERVICE OFFERING. In order to establish strategic relationships with OEM customers, EMS companies must be able to effectively provide a broad portfolio of services. These services include front-end product design and design for manufacturability, component selection and procurement, quick-turn prototyping, PCA test, product assurance and failure analysis, as well as back-end functions such as full system assembly, order fulfillment, worldwide distribution and after-sales support, including repair services. The complex nature of certain services such as front-end design and testing requires a significant investment in highly trained engineering personnel.

COMPETITIVE COSTS. EMS companies with global plant networks can simplify

and shorten an OEM's supply chain, significantly reduce the time it takes to bring products to market, and significantly reduce the total cost of an OEM's product. EMS providers that have significant capability in lower cost regions such as Mexico, Asia, and Central Europe can provide lower cost manufacturing solutions to their OEM customers. As a result of these trends, many large OEMs tend to work with a smaller number of EMS providers that, as worldwide suppliers, can meet their needs in multiple geographic markets at the lowest cost.

MARKET CONSOLIDATION

The Company believes that larger EMS providers that possess the above-noted attributes will be well positioned to take advantage of the future outsourcing trend. Conversely, the Company believes that smaller providers who seek to serve leading OEMs, and compete directly with larger EMS providers, will generally be disadvantaged due to a lack of scale and their difficulty in meeting OEM requirements relating to technology, capacity, supply chain management, broad service offerings, global manufacturing capabilities, and competitive costs.

The EMS industry continues to experience large-scale acquisition activity, primarily through the sale of facilities and manufacturing operations from OEMs to larger EMS providers. OEMs have tended to award these

opportunities to larger EMS providers that possess the capital, management expertise and advanced systems required to integrate the acquired business effectively as the acquiror in most cases becomes an important supplier to the OEM post-acquisition. For the EMS provider, these acquisitions have been driven by the need for additional capacity or capability, a desire to enter new geographic or product markets and services, or a desire to establish or further develop a customer relationship with a particular OEM.

Given this environment, Celestica believes that the EMS industry may experience significant consolidation, driven by the continued trend among OEMs to outsource large-volume programs to leading EMS providers, the continued disposition of OEM manufacturing assets to these companies and acquisition activity among EMS businesses themselves.

CELESTICA'S STRATEGY

Celestica's goal is to be the "partner of choice" in EMS. To achieve this goal, Celestica works closely with OEM customers to proactively identify and fulfill each of their requirements, and exceed their expectations in areas such as price, delivery, quality, reliability and serviceability. By deploying the following strategy, we believe that Celestica will maximize customer satisfaction, achieve superior financial performance, and enhance shareholder value:

LEVERAGE LEADERSHIP IN TECHNOLOGY, QUALITY AND SUPPLY CHAIN MANAGEMENT. We are committed to maintaining our leadership position in the areas of technology, quality and supply chain management. Our modern plants and leading technological capabilities enable us to produce complex and highly sophisticated products to meet the rigorous demands of our OEM customers. The Company's Customer Gateway Centre strategy provides customer access to the Company's broad base of services, capabilities, skills, geographic coverage and larger production facilities. Our commitment to quality in all aspects of our business allows us to deliver consistently reliable products to our OEM customers. The systems and processes associated with our leadership in supply chain management enable us to rapidly ramp operations to meet customer needs, flexibly shift capacity in response to product demand fluctuations, and effectively distribute products directly to end customers. We often work closely with many suppliers to

influence component design for the benefit of OEM customers. We have been recognized through numerous customer and industry achievement awards.

DEVELOP AND ENHANCE RELATIONSHIPS WITH LEADING OEMS. Celestica seeks profitable, strategic relationships with industry leaders in the information technology and communications sectors. To this end, we pursue opportunities which exploit our competitive advantages in the areas of technology, quality and supply chain management. This strategy has allowed us to establish strong manufacturing relationships with leading OEMs. We are also committed to diversification of our customer base and to expanding our global presence as required by our customers.

BROADEN SERVICE OFFERINGS. We continually expand the breadth and depth of the services we provide to OEMs. Although we traditionally offered our services in connection with the production of higher-end and more complex products, we have significantly broadened our offering of services to facilitate the manufacture of a broader spectrum of products and to support the full product lines of leading OEMs. In the past few years, we have acquired additional capabilities in prototyping and PCA design, embedded system design, full system assembly and repair services. We will expand our capabilities and service offerings on a global basis as required by our customers.

DIVERSIFY END MARKETS. Celestica has a diversified customer base whose products serve the communications, server, storage and other, workstation and personal computer industries. In 2002, revenue by end-market users was as follows: communications -- 45%; servers -- 26%; storage and other -- 22%; and workstations and personal computer -- 7%. Celestica targets industry-leading OEMs, primarily in the information technology and communications sectors. In addition to this, Celestica's strategy includes increasing its diversification across other end markets, such as aerospace, military, industrial, medical, consumer, and automotive, to reduce the risk of reliance on certain sectors.

SELECTIVELY PURSUE STRATEGIC ACQUISITIONS. Celestica has completed numerous acquisitions. We will continue selectively to seek acquisition opportunities in order to (i) further develop strategic relationships with leading OEMs, (ii) expand our capacity and capability, (iii) diversify into new market sectors, (iv) broaden our service offerings, and (v) optimize our global positioning. Celestica has developed and deployed a comprehensive integration strategy that includes establishing a common culture at all locations with broad-based workforce participation, providing a single marketing "face" to customers worldwide, deploying common information technology platforms, leveraging global procurement and transferring best practices among operations worldwide.

INCREASE OPERATING EFFICIENCY. While operating margins were relatively stable for the past two years, operating margins fell in 2002 as a result of revenue declines and weaker facilities utilization. Management is committed to applying our proven strategies and processes to enhance margins around the world. Additionally, we are executing our plan to improve overall financial margins by (i) completing our restructuring program, (ii) leveraging corporate procurement capabilities to lower materials costs, (iii) increasing utilization of facilities to take advantage of significant operating leverage, (iv) deploying corporate cost reduction and productivity enhancement initiatives on a global basis, (v) consistently applying best practices among our operations worldwide, and (vi) compensating our employees based in part on the achievement of earnings targets. In addition, we will continue our intensive focus on maximizing asset turnover which, combined with the margin enhancements described above, we believe will increase our return on invested capital.

CELESTICA'S BUSINESS

EMS SERVICES

Celestica is positioned as a value-added provider within the EMS industry with a full spectrum of products and services to capitalize on the extensive technological know-how and intellectual capital within Celestica. We believe that our ability to deliver this wide spectrum of services to our OEM customers provides us with a competitive advantage over EMS providers focused in few service areas. Celestica offers a full range of manufacturing services including those discussed below.

SUPPLY CHAIN MANAGEMENT. We utilize our fully integrated enterprise resource planning and supply chain management system to enable us to optimize materials management from supplier to end customer. Effective management of the supply chain is critical to the success of OEMs as it directly impacts the time required to deliver product to market and the capital requirements associated with carrying inventory.

DESIGN. Celestica's design team works with OEM product developers in the early stages of product development. The design team uses advanced design tools to enable new product ideas to progress from electrical and ASIC design, to simulation and physical layout to design for manufacturability. Electronic linkages between the customer, the design group, and the manufacturing group at Celestica help to ensure that new designs are released rapidly, smoothly, and cohesively into production.

PROTOTYPING. Prototyping is a critical stage in the development of new products which is enhanced by linkages between OEM and EMS engineers. Celestica's prototyping and new product introduction centers, referred to as "Customer Gateway Centres," are strategically located, enabling us to provide a quick response to customer demands facilitating greater collaboration between our engineers and those customers, and providing a seamless entry to our larger manufacturing facilities.

PRODUCT ASSEMBLY AND TEST. We use sophisticated technology in the assembly and testing of our products, and have continually made significant investments in developing new assembly and test process techniques and improving product quality, reducing cost, and improving delivery time to customers. Celestica works independently and with customers and suppliers to develop leading assembly and test technologies.

FULL SYSTEM ASSEMBLY. Celestica provides full system assembly services to OEMs. These services require sophisticated logistics capabilities to rapidly procure components, assemble products, perform complex testing, and distribute products to customers around the world. Celestica's full system assembly services involve combining a wide range of sub-assemblies (including PCA) and employing advanced test techniques to various sub-assemblies and final end products. Increasingly, OEMs require custom build-to-order system solutions with

very short lead times. We are focused on exploiting this trend through our advanced supply chain management capabilities.

PRODUCT ASSURANCE. Celestica provides product assurance to our OEM customers. Celestica's product assurance team performs product life testing and full circuit characterization to ensure that designs meet or exceed required specifications. Celestica is accredited as a National Testing Laboratory capable of testing to international standards (E.G., Canadian Standards Association and Underwriters Laboratories). Celestica believes that this service allows customers to attain product certification significantly faster than is customary in the EMS industry.

FAILURE ANALYSIS. Celestica's extensive failure analysis capabilities concentrate on identifying the root cause of failures and determining corrective action. Root causes of failures typically relate to inherent component defects or design robustness deficiencies. Products are subjected to various environmental extremes, including temperature, humidity, vibration, voltage, and rate of use, and field conditions are simulated in failure analysis laboratories which also employ advanced electron microscopes, spectrometers, and other advanced equipment. We are proficient in discovering failures before products are shipped and, more importantly, our highly qualified engineers are very pro active in working in partnership with suppliers and customers to implement resolutions.

PACKAGING AND GLOBAL FULFILLMENT. Celestica designs and tests packaging of products for bulk shipment or single end-customer use. We have a sophisticated integrated system for managing complex international order fulfillment, allowing us to ship worldwide and, in many cases, directly to the OEMs' end customers.

AFTER-SALES SUPPORT. Celestica offers a wide range of after-sales support services. This support can be individualized to meet each customer's requirements and includes field failure analysis, product upgrades, repair, and engineering change management.

QUALITY MANAGEMENT

One of our strengths has been our ability to consistently deliver high quality services and products. Celestica has an extensive quality management system that focuses on continual process improvement and achieving high customer satisfaction. Celestica employs 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 the ISO 14001 (environmental) standards.

We believe that our success is directly linked to high customer satisfaction. As such, a portion of the compensation of employees is based on the results of extensive customer satisfaction surveys conducted on Celestica's behalf by an independent consultant.

GEOGRAPHIES

In 2002, approximately 56% of Celestica's revenue was produced in North America. Facilities in Asia and Europe generated approximately 23% and 21%, respectively, of Celestica's revenue in 2002. A listing of our principal locations is included in Item 4, "Information on the Company -- Description of Property." We are focused on expanding our resources and capability in lower cost geographies. We believe that locating in lower cost geographic regions such as Central Europe and Asia complements our service offerings by providing lower cost manufacturing solutions to our OEM customers for certain price-sensitive applications.

Certain information concerning geographic segments is set forth in note 20 to the Consolidated Financial Statements in Item 18.

SALES AND MARKETING

Sales and marketing at Celestica is an integrated set of processes designed to provide a single "face" to the customer worldwide. Celestica's coordination of efforts with key global customers has been enhanced by the creation of customer-focused units each headed by a group general manager to oversee the entire relationship with such customers. We have a global network comprised of direct sales representatives, operational and project managers, account

executives, and supply chain management, as well as senior executives. Celestica's

sales resources are directed at multiple management and staff levels within target accounts. Sales offices are located in proximity to key customers and markets.

Celestica has adopted a focused marketing approach targeted at creating profitable, strategic relationships with leading OEMs primarily in the information technology and communications sectors.

CUSTOMERS

Celestica targets industry-leading customers primarily in the information technology and communications sectors. Celestica supplies products and services to over 100 OEMs, including such industry leaders as Avaya Inc., Cisco Systems Inc., Dell Computer Corporation, EMC Corporation, Hewlett-Packard Corporation, IBM Corporation, Lucent Technologies Inc., Motorola Inc., NEC Corporation, and Sun Microsystems Inc.

During 2002, Celestica's three largest customers, IBM Corporation, Sun Microsystems Inc., and Lucent Technologies Inc., each represented in excess of 10% of total revenue and in the aggregate represented 48% of total revenue. During 2001, Celestica's three largest customers, IBM Corporation, Sun Microsystems Inc., and Lucent Technologies Inc., each represented in excess of 10% of total revenue and in the aggregate represented 55% of total revenue. Celestica's next seven largest customers represented approximately 37% of Celestica's total revenue in 2002 (compared with 29% for the next seven largest customers in 2001).

We generally enter into supply arrangements in connection with our acquisition of facilities from OEMs. These arrangements generally govern the conduct of business between the parties relating to, among other things, the manufacture of products which were previously produced at that facility by the seller itself. Such arrangements, which in certain instances contain limited overhead contribution provisions or limited revenue or product volume guarantees, range from one to five years. There can be no assurance that these arrangements will be renewed. As a result of the weak economic environment, these supply agreements have been affected by order cancellations and rescheduling as our customers' base-business volumes have decreased.

TECHNOLOGY AND RESEARCH AND DEVELOPMENT

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

Our customer-focused factories are highly flexible and are continually reconfigured to meet customer-specific product requirements. Celestica has extensive capabilities across a broad range of specialized assembly process technologies, including chip on board, chip scale packaging, flip chip attach, tape automated bonding, wire bonding, multi-chip module, ball grid array, micro ball grid array, tape ball grid array, and column grid array. We also work with a wide range of substrate types from thin flexible printed circuit boards to highly complex, dense multilayer boards.

Our assembly capabilities are complemented by advanced test capabilities. Technologies 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, three-dimensional laser paste volumetric inspection, and scanning electron microscopy, is among the most sophisticated in the EMS industry. Furthermore, Celestica employs 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. Celestica is proactive in developing manufacturing techniques which take advantage of the latest component and product designs and packaging. We often work with industry groups to advance the state of technology in the industry.

SUPPLY CHAIN MANAGEMENT

Celestica has strong relationships with a broad range of suppliers. We use electronic data interchange with our key suppliers and ensure speed of supply through the use of automated receiving and full-service distribution capabilities. During 2002, Celestica procured and managed over $6.0 billion in materials and related services. We

view this size of procurement as an important competitive advantage as it enhances our ability to obtain better pricing, influence component packaging and design, and obtain supply of components in constrained markets.

We utilize two fully integrated enterprise systems which provide comprehensive information on our logistics, financial and engineering support functions. One system is used in Asia, Brazil, and Europe and the other system is common throughout the rest of Celestica's operations. These systems provide management with the data required to manage the logistical complexities of the business. These systems are augmented by and integrated with other applications such as shop floor controls, component database management and design tools.

We employ a strategy of risk minimization relative to our inventory and generally order materials and components only to the extent necessary to satisfy existing customer orders. Celestica has 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 "real-time component pricing" (the ability to obtain the advantage of the most recent price change in component pricing) designed to minimize the risk to us of cost fluctuations. In providing contract 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.

Almost all of the products manufactured or assembled by Celestica require one or more components, one or more of which may be ordered from a sole-source supplier. Some of these components could be rationed in response to supply shortages. We attempt to ensure continuity of 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 to defer planned production in response to the anticipated unavailability of the critical components. In some cases, supply shortages will substantially curtail production of all full system assemblies using a particular component. In addition, at various times there have been industry-wide shortages of electronic components. There can be no assurance that such shortages, or future fluctuations in material cost, will not have a material adverse effect on our results of operations, business, prospects and financial condition.

INTELLECTUAL PROPERTY

We hold licenses to various technologies which we acquired in connection

with acquisitions from Fujitsu-ICL, Hewlett-Packard, IBM Corporation, NEC Corporation, and other companies. 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.

Celestica currently has 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 manufacturing services.

We license some technology from third parties which we use in providing 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 Celestica non-exclusive, worldwide licenses with respect to the subject technology and terminate upon a material breach by Celestica of the terms of the licensing agreement.

COMPETITION

The EMS industry is comprised of a large number of domestic and foreign companies, of which two companies, Flextronics International and Solectron Corporation, each had revenue in excess of $12.0 billion for fiscal year 2002 and two companies, Celestica and Sanmina-SCI Corporation, each had revenue in excess of $8.0 billion for fiscal year 2002. We also face competition from current and prospective customers which evaluate our capabilities against the merits of manufacturing products internally. We compete with different

companies depending on the type of service or geographic area. Certain of our competitors may have greater manufacturing, financial, research and development, and marketing resources than we do. We believe that the primary basis of competition in our targeted markets is manufacturing technology, quality, responsiveness, the provision of value-added services, and price. To remain competitive, we believe we must continue to provide technologically advanced manufacturing services, maintain quality levels, offer flexible delivery schedules, deliver finished products on a reliable basis, and compete favorably on the basis of price.

HUMAN RESOURCES

As of December 31, 2002, we employ over 40,000 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 be able to quickly ramp-up and ramp-down our production to maximize efficiency. To achieve this, our strategy has been to employ a skilled temporary labor force, as required.

Culturally, Celestica is team-oriented, values-driven, empowerment-based, dynamic, and results-oriented, with an overriding sensitivity to customer service and quality at all levels. This environment is a critical factor for us to be able to fully utilize the intellectual capital of our employees. We have never experienced a work stoppage or strike. We believe that our employee relations are good. Certain of our employees in the United Kingdom, France,

Italy, Mexico, U.S., Japan and Brazil are represented by unions.

ENVIRONMENTAL MATTERS

Celestica is subject to extensive 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 wastes, as well as practices and procedures applicable to the construction and operation of our plants. We believe that we are in compliance in all material respects with current environmental laws. However, there can be no assurance that we will not experience difficulties with our efforts to maintain material compliance at our facilities, or to comply either with currently applicable environmental laws or environmental laws as they change in the future, or that our continued compliance efforts (or failure to comply with applicable requirements) will not have a material adverse effect on our results of operations, business, prospects, and financial condition. Our need to comply with present and changing future environmental laws could restrict our ability to modify or expand our facilities or continue production and could require us to acquire costly equipment or to incur other significant expense.

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

Except for the facilities we acquired in the Omni transaction, Phase I or similar environmental assessments (which involve general inspections without soil sampling or ground water analysis) were obtained for most of the manufacturing facilities leased or owned by Celestica 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 of 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.

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

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

SEASONALITY

With a significant exposure to information technology and communications infrastructure products, the Company has historically seen a level of seasonality in its quarterly revenue patterns. This seasonality has generally resulted in lower volumes in the Company's first quarter, gradually increasing

throughout the year, culminating in higher revenue in the fourth quarter. Seasonality is also reflective of the mix and complexity of the products manufactured. As a result of the current weak and uncertain economic environment, it is difficult to predict the extent and impact of seasonality on our business.

GLOSSARY

Ball grid array.....	A silicon chip packaging technique that provides high interconnection density at a low cost, high thermal electrical performance, high reliability and high card assembly yields. This technology uses an array of solder balls to connect the silicon chip to the printed circuit board.
Chip on board.....	A generic term for the use of unpackaged or "bare" silico that is attached to the surface of the printed circuit board. The "bare" silicon is often sealed with an epoxy t strengthen reliability. Chip on board allows for space savings as well as faster signal processing speeds. Examp of chip on board are flip chip attach, tape automated bonding and wire bonded chips.
Consignment.....	An outsourcing method in which the outsourcing company provides most or all of the materials required for the products, and the EMS provider supplies only the manufacturing service.
EMS.....	Electronics manufacturing services.
Flip chip attach.....	A type of chip on board that involves attaching the "bare silicon directly to the printed circuit board using solde
Full system assembly.....	The assembly of a variety of PCAs and other subassemblies/components into a final product, such as a server, workstation or personal computer. Full system assembly typically includes the testing and distribution the final product.
In-circuit test.....	One of the first electrical tests performed on completed PCAs, where small portions of the PCAs can be individuall tested down to the silicon chip level.
In-situ dynamic thermal cycling stress testing.....	The electrical testing of PCAs while varying temperature, an effort to uncover potential defects in assembly and electronics components.
Interconnect technology.....	The series of techniques used to electrically connect silicon chips, substrates and other electronics component together to create a functional product.
LAN.....	"Local area network." Multiple computers linked together facilitate shared communications in a local or office environment.
Multi-chip module.....	A packaging technique that combines multiple silicon chip together into a single functional device.
OEM.....	Original equipment manufacturer.

PBX switch.....	"Private branch exchange switch." A switch used in a telephone system consisting of central office trunks, a switchboard and extension telephones which may be interconnected with the trunks or with each other through the

	switchboard and associated equipment. These switches are typically used within a single company, office or buildin
PCAs.....	"Printed circuit assemblies." Printed circuit boards whic are populated with various electronics components to form functional products.
PDA.....	"Personal Digital Assistant." A small form factor portabl computing device.
Scalable processor.....	A processor system that allows for the combination of multiple microprocessors together to provide significantl higher processing power and speed.
SMT.....	"Surface mount technology." A manufactured technology for attaching electronics components directly onto the surfac of printed circuit boards.
Substrate.....	Also referred to as a "printed circuit board" or "board." substrate acts as a carrier to provide very dense wiring between silicon chips. A substrate can take the form of ceramic, plastic, film or fibreglass sheets with embedded copper wiring.
Tape automated bonding.....	A type of chip on board that involves attaching "bare" silicon through a mass bonding method. The silicon posses gold- or tin-plated copper lead frames which are mounted directly to the printed circuit board.
Tape ball grid array.....	A ball grid array silicon chip which is packaged on a thi tape/film carrier.
Three-dimensional laser paste volumetric inspection.....	An inspection system that uses a laser light source and a camera for image capture in a controlled process. It is u to measure the volume of solder paste that has been scree onto a printed circuit board in order to ensure solder quality.
Token ring.....	A type of LAN technology.
WAN.....	"Wide area network." A communications network that covers wide geographic area, such as a province, state or countr
Wire bonding.....	A method of attaching a "bare" silicon chip on a board. T process involves ultrasonically bonding fine aluminum wir (the size of a human hair) from the silicon chip to the P This procedure is often performed in a clean room environment.

Wireless base stations.....	A base station transmitter used in digital cellular telephone networks. This is the electrical communication device that links a cellular telephone to the telephone network.
Wireless loop system.....	A system providing wireless communications between the telephone network box on a residential street and all of homes in the neighborhood, eliminating buried telephone cable to homes. This system can also be used in an office campus environment.
X-ray laminography.....	An inspection process used for examining the quality of solder joints in an array package like ball grid array an column grid array. The technique is very similar to that a CAT scan in the medical industry. The assembly is x-ray in slices down through the solder joints, and the images compared to a known good image for solder quality.

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 (U.S.) Inc., a Delaware corporation.

Celestica Corporation, a Delaware corporation.

Celestica Europe Inc., an Ontario corporation.

Celestica Hong Kong Limited, a Hong Kong corporation.

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

D. DESCRIPTION OF PROPERTY

The following table summarizes our principal facilities as of February 28, 2003. Our facilities are used to manufacture printed circuit boards, assemble final systems and configuration, and for other related manufacturing and customer support activities.

FACILITY	MANUFACTURING SQUARE FOOTAGE (in thousands)	OWNED/LEASED
Toronto, Ontario.....	888	Owned
Montreal, Quebec.....	180	Owned
Oklahoma City, Oklahoma(1).....	430	Leased
Denver, Colorado.....	300	Leased
Little Rock, Arkansas.....	424	Owned
Fort Collins, Colorado.....	200	Leased
Rochester, Minnesota(1).....	200	Leased
Chippewa Falls, Wisconsin.....	127	Owned
Salem, New Hampshire.....	139	Leased
San Jose, California.....	131	Leased

Dallas, Texas	69	Leased
Mt. Pleasant, Iowa	69	Leased
Milwaukie, Oregon	61	Leased
Chelmsford, Massachusetts(1)	37	Leased
Raleigh, North Carolina	26	Leased
Austin, Texas	51	Leased
Kidsgrove, England	375	Owned
Telford, England	50	Owned
Vimercate, Italy	550	Owned
Santa Palombo, Italy	150	Owned
Dublin, Ireland	210	Owned
Saumur, France	142	Owned
Rajecko, Czech Republic	170	Owned
Kladno, Czech Republic	166	Owned
Monterrey, Mexico	214	Leased
Monterrey, Mexico	113	Owned
Queretaro, Mexico	77	Leased
Jaguariuna, Brazil	142	Leased
Shanghai, China	273	Owned
Dongguan, China	172	Leased
China(2)	208	Owned/Leased
Shatin, Hong Kong	82	Leased
Indonesia(3)(4)	46	Owned/Leased
Johor Bahru, Malaysia(3)	491	Leased

FACILITY	MANUFACTURING SQUARE FOOTAGE (in thousands)	OWNED/LEASED
Kulim, Malaysia	324	Owned
Malaysia	40	Leased
Singapore	298	Leased
Singapore	65	Owned
Laem Chabang, Thailand	422	Leased
Japan(2)	566	Owned/Leased
Rayong, Thailand	41	Leased

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(1) As part of our restructuring plans, we have announced that we will close this site by the end of 2003.

(2) This represents three facilities.

(3) This represents two facilities.

(4) As part of our restructuring plans, we have announced that we will close one of the two sites by the end of 2003.

Celestica's principal executive office is located at 1150 Eglinton Avenue East, Toronto, Ontario M3C 1H7. 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.

The leases for our leased facilities expire between 2003 and 2056. Celestica currently expects 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 consolidated facilities and changed our strategic focus as to the number and geography of sites. We are rationalizing our footprint worldwide to increase the percentage of our facilities in lower cost geographies. 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 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 OF CELESTICA SHOULD BE READ IN CONJUNCTION WITH THE CONSOLIDATED FINANCIAL STATEMENTS IN ITEM 18. ALL DOLLAR AMOUNTS ARE EXPRESSED IN U.S. DOLLARS.

CERTAIN STATEMENTS CONTAINED IN THE FOLLOWING MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, INCLUDING, WITHOUT LIMITATION, STATEMENTS CONTAINING THE WORDS BELIEVES, ANTICIPATES, ESTIMATES, EXPECTS, AND WORDS OF SIMILAR IMPORT, CONSTITUTE FORWARD-LOOKING STATEMENTS. FORWARD-LOOKING STATEMENTS ARE NOT GUARANTEES OF FUTURE PERFORMANCE AND INVOLVE RISKS AND UNCERTAINTIES WHICH COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THESE FORWARD-LOOKING STATEMENTS. THESE RISKS AND UNCERTAINTIES INCLUDE, BUT ARE NOT LIMITED TO: THE CHALLENGES OF EFFECTIVELY MANAGING OUR OPERATIONS DURING UNCERTAIN ECONOMIC CONDITIONS; THE CHALLENGE OF RESPONDING TO LOWER-THAN-EXPECTED CUSTOMER DEMAND; THE EFFECTS OF PRICE COMPETITION AND OTHER BUSINESS AND COMPETITIVE FACTORS GENERALLY AFFECTING THE EMS INDUSTRY; OUR DEPENDENCE ON THE INFORMATION TECHNOLOGY AND COMMUNICATIONS INDUSTRIES; OUR DEPENDENCE ON A LIMITED NUMBER OF CUSTOMERS AND ON INDUSTRIES AFFECTED BY RAPID TECHNOLOGICAL CHANGE; COMPONENT CONSTRAINTS; VARIABILITY OF OPERATING RESULTS AMONG PERIODS; AND THE ABILITY TO MANAGE OUR RESTRUCTURING AND THE SHIFT OF PRODUCTION TO LOWER COST GEOGRAPHIES. THESE AND OTHER RISKS AND UNCERTAINTIES AND FACTORS ARE DISCUSSED IN THIS ANNUAL REPORT. SEE ITEM 3, "KEY INFORMATION -- RISK FACTORS."

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.

OVERVIEW

Celestica is a world leader in providing electronics manufacturing services to OEMs in the information technology and communications industries. Celestica provides a wide variety of products and services to its customers, including the high-volume manufacture of complex printed circuit board assemblies and the full

system assembly of final products. In addition, the Company is a leading-edge provider of design, repair and engineering services, supply chain management and power products. Celestica operates facilities in the Americas, Europe and Asia.

2002 was a challenging year as the information technology and communications end markets remained weak. Revenue for 2002 was $8.3 billion, down 17% from $10.0 billion for 2001. The reduced demand for Celestica's products and services contributed to the decrease in revenue and margins for 2002. Revenue from

existing customers decreased for the second consecutive year.

Historically, acquisitions have contributed significantly to the Company's growth, with 2001 being the most active year for acquisitions, in terms of the number of acquisitions closed and the total purchase price. Growth from acquisitions in 2002, however, was minimal. Celestica continues to evaluate acquisition opportunities and anticipates that acquisitions will continue to contribute to its future growth.

In 2001, the Company announced its first restructuring plan in response to the weakened end markets. The continued downturn into 2002 resulted in the Company announcing further restructuring actions, which it expects to complete by the end of 2003. The restructurings were focused on consolidating facilities and increasing capacity in lower cost geographies. The Company expects that it will have a better-balanced manufacturing footprint when all of the planned restructuring actions, including those announced in January 2003, are completed. See "-- Recent Developments."

In the fourth quarter of 2002, Celestica recorded impairment losses totaling $285.4 million, in connection with its annual impairment tests of goodwill and long-lived assets, based on factors and conditions at the time the assessments were performed. Conditions in the marketplace deteriorated significantly from January 1, 2002, when the Company completed its evaluation of the transitional goodwill impairment, as required by the new goodwill standards. Future impairment tests may result in additional impairment charges.

In 2002, management focused on reducing working capital, and increased its cash balance to its highest level in the Company's history. Cash earned from operations in 2002 fully funded the Company's 2002 acquisitions of $111.0 million, repayment of $130.0 million of subordinated debt, the repurchase of $32.5 million in capital stock and the repurchase of convertible debt for an aggregate purchase price of $100.3 million.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Celestica prepares its financial statements in accordance with generally accepted accounting principles (GAAP) in Canada with a reconciliation to United States GAAP, as disclosed in note 22 to the Consolidated Financial Statements.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 preparation of the financial statements are described in note 2 to the Consolidated Financial Statements. The Company evaluates its estimates and assumptions on a regular basis, based on historical experience and other relevant factors. Significant estimates are used in determining, but not limited to, the allowance for doubtful accounts, inventory valuation, income tax valuation allowances, the fair value of reporting units for purposes of goodwill impairment tests, the useful lives and valuation of intangible assets, and restructuring charges. Actual results could differ materially from those estimates and assumptions.

REVENUE RECOGNITION:

Celestica derives most of its revenue from OEM customers. The contractual agreements with its key customers generally provide a framework for its overall relationship with the customer. Celestica recognizes product revenue upon shipment to the customer as performance has occurred, all customer specified acceptance criteria have been tested and met, and the earnings process is

considered complete. Actual production volumes are based on purchase orders for the delivery of products. These orders typically do not commit to firm production schedules for more than 30 to 90 days in advance. Celestica minimizes its risk relative to its inventory by ordering materials and components only to the extent necessary to satisfy existing customer orders. Celestica is largely protected from the risk of inventory cost fluctuations as these costs are generally passed through to customers.

ALLOWANCE FOR DOUBTFUL ACCOUNTS:

Celestica records an allowance for doubtful accounts related to accounts receivable that are considered to be impaired. The allowance is based on the Company's knowledge of the financial condition of its customers, the aging of the receivables, current business environment, customer and industry concentrations, and historical experience. A change to these factors could impact the estimated allowance and the provision for bad debts recorded in selling, general and administrative expenses.

INVENTORY VALUATION:

Celestica values its inventory on a first-in, first-out basis at the lower of cost and replacement cost for production parts, and at the lower of cost and net realizable value for work in progress and finished goods. Celestica regularly adjusts its 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 margins.

INCOME TAX VALUATION ALLOWANCE:

Celestica records 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 and tax planning strategies. A change to these factors could impact the estimated valuation allowance and income tax expense.

GOODWILL:

Celestica performs its annual goodwill impairment tests in the fourth quarter of each year, and more frequently if events or changes in circumstances indicate that an impairment loss may have been incurred. Impairment is tested at the reporting unit level by comparing the reporting unit's carrying amount to its fair value. The fair values of the reporting units are estimated using a combination of a market 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 cash flow projections at the reporting unit level, and discount rates. Celestica recorded an impairment loss in the fourth quarter of 2002. Future goodwill impairment tests may result in further impairment charges.

INTANGIBLE ASSETS:

Celestica performs its annual impairment tests on long-lived assets in the fourth quarter of each year, and more frequently if events or changes in circumstances indicate that an impairment loss may have been incurred. Celestica estimates the useful lives of intangible assets based on the nature of the

asset, historical experience and the terms of any related supply contracts. The valuation of intangible assets is based on the amount of future net cash flows these assets are estimated to generate. Revenue and expense projections are based on management's estimates, including estimates of current and future industry conditions. A significant change to these assumptions could impact the estimated useful lives or valuation of intangible assets resulting in a change to amortization expense and impairment charges.

RESTRUCTURING CHARGES:

Celestica recorded restructuring charges in 2001 and 2002, relating to facility consolidations and workforce reductions. These charges are recorded based on detailed plans approved and committed to by management. The restructuring charges include employee severance and benefit costs, costs related to leased facilities that will be abandoned or subleased, owned facilities which are no longer used and will be held for disposition, cost of leased equipment that will be abandoned, impairment of owned equipment that will be held for disposition, and impairment of related intangible assets, primarily intellectual property. The recognition of these charges requires management to make certain judgments and estimates regarding the nature, timing and amount

associated with these plans. The estimates of future liability may change, requiring additional restructuring charges or a reduction of the liabilities already recorded. At the end of each reporting period, the Company evaluates the appropriateness of the remaining accrued balances.

RECENT ACQUISITIONS

A significant portion of Celestica's growth in prior years was generated by strengthening its customer relationships and increasing the breadth of its service offerings through asset and business acquisitions. The Company focused on investing strategically in acquisitions that better positioned the Company for future outsourcing opportunities. Celestica's most active year for acquisitions was 2001. The historical pace of Celestica's acquisitions did not continue in 2002 and may not continue in the future.

As a result of the continued downturn in the economy, some of the sites acquired in prior years have been impacted by the Company's latest round of restructuring. Supply agreements entered into in connection with certain acquisitions were also affected by order cancellations and reschedulings as base-business volumes have decreased. See discussion below in "-- Results of Operations."

2001 ASSET ACQUISITIONS:

In February 2001, Celestica acquired certain manufacturing assets in Dublin, Ireland and Mt. Pleasant, Iowa from Motorola Inc. and signed supply agreements. In March 2001, Celestica acquired certain assets relating to N.K. Techno Co. Ltd.'s repair business, which expanded the Company's presence in Japan, and established a greenfield operation in Shanghai. In May 2001, Celestica acquired certain assets from Avaya Inc. in Little Rock, Arkansas and Denver, Colorado, and, in August 2001, acquired certain assets in Saumur, France. The Company signed a five-year supply agreement with Avaya. In August 2001, Celestica acquired certain assets in Columbus, Ohio and Oklahoma City, Oklahoma from Lucent Technologies Inc. and signed a five-year supply agreement. The aggregate purchase price for these asset acquisitions in 2001 of $834.1 million was financed with cash.

2001 BUSINESS COMBINATIONS:

In January 2001, Celestica acquired Excel Electronics, Inc. through a merger with Celestica (U.S.) Inc., which enhanced the Company's prototype service offering in the southern region of the United States. In June 2001, Celestica acquired Sagem CR s.r.o., in the Czech Republic, from Sagem SA, of France, which enhanced the Company's presence in central Europe. In August 2001, Celestica acquired Primetech Electronics Inc. (Primetech), an EMS provider in Canada. The purchase price for Primetech was financed primarily with the issuance of 3.4 million subordinate voting shares and the issuance of options to purchase 0.3 million subordinate voting shares of the Company.

In October 2001, Celestica acquired Omni Industries Limited (Omni). Omni is an EMS provider, headquartered in Singapore, with locations in Singapore, Malaysia, China, Indonesia and Thailand, and had approximately 9,000 employees at the date of acquisition. Omni provides printed circuit board assembly and system assembly services, as well as other related supply chain services including plastic injection molding and distribution. Omni manufactures products for industry-leading OEMs in the PC, storage and communications sectors. The acquisition significantly enhanced Celestica's EMS presence in Asia. The purchase price for Omni of $865.8 million was financed with the issuance of 9.2 million subordinate voting shares and the issuance of options to purchase 0.3 million subordinate voting shares of the Company, and $479.5 million in cash.

The aggregate purchase price for these business combinations in 2001 was $1,093.3 million, of which $526.3 million was financed with cash.

2002 ASSET ACQUISITIONS:

In March 2002, the Company acquired certain assets located in Miyagi and Yamanashi, Japan from NEC Corporation. The Company signed a five-year supply agreement to provide a complete range of electronics manufacturing services for a broad range of NEC's optical backbone and broadband access equipment. In August 2002, the Company acquired certain assets from Corvis Corporation in the United States. The Company

signed a multi-year supply agreement with Corvis, which positioned Celestica as the exclusive manufacturer of Corvis' terrestrial optical networking products and sub-sea terminating equipment. The aggregate purchase price for these acquisitions in 2002 of $111.0 million was financed with cash and allocated to the net assets acquired, based on their relative fair values at the date of acquisition.

Celestica may at any time be engaged in ongoing discussions with respect to several possible acquisitions of widely-varying sizes, including small single facility acquisitions, significant multiple facility acquisitions and corporate acquisitions. Celestica has identified several possible acquisitions that would enhance its global operations, increase its penetration in several industries and establish strategic relationships with new 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 agreement would be. Celestica expects to continue any current discussions and actively pursue other acquisition opportunities.

A. OPERATING RESULTS

Celestica's 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 customers' orders will vary due to customers' attempts to balance their inventory, changes in their manufacturing strategies,

variation in demand for their products and general economic conditions. Celestica's annual and quarterly operating results are also affected by capacity utilization, geographic manufacturing mix and other factors, including price competition, manufacturing effectiveness and efficiency, the degree of automation used in the assembly process, the ability to manage labour, inventory and capital assets effectively, the timing of expenditures in anticipation of forecasted sales levels, the timing of acquisitions and related integration costs, customer product delivery requirements, shortages of components or labour and other factors. Weak end-market conditions began to emerge in early to mid-2001 and have continued to weaken for the communications and information technology industries. This resulted in customers rescheduling or canceling orders which negatively impacted Celestica's results of operations.

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

	YEAR ENDED DECEMBER 31		
	2000	2001	2002
Revenue	100.0%	100.0%	100.0%
Cost of sales	92.9	92.9	93.3
Gross profit	7.1	7.1	6.7
Selling, general and administrative expenses	3.3	3.4	3.6
Amortization of goodwill and intangible assets	1.0	1.3	1.2
Integration costs related to acquisitions	0.2	0.2	0.2
Other charges	0.0	2.7	8.2
Operating income (loss)	2.6	(0.5)	(6.5)
Interest income, net	(0.2)	(0.1)	(0.0)
Earnings (loss) before income taxes	2.8	(0.4)	(6.5)
Income taxes (recovery)	0.7	0.0	(1.1)
Net earnings (loss)	2.1%	(0.4)%	(5.4)%

REVENUE

Revenue decreased 17%, to $8,271.6 million in 2002 from $10,004.4 million in 2001, primarily due to a reduction in base-business volumes as a result of the prolonged weakened end-market conditions. Excess capacity in the EMS industry also put pressure on pricing for components and services, thereby reducing revenue. The visibility of end-market conditions remains limited.

Celestica manages its operations on a geographic basis. The three reporting segments are the Americas, Europe and Asia. Revenue from the Americas operations decreased 27%, to $4,640.8 million in 2002 from $6,334.6 million in 2001. Revenue from European operations decreased 40%, to $1,786.5 million in 2002 from $3,001.3 million in 2001. The Americas and European operations have been hardest hit by customer cancellations and delays of orders because of the downturn in end-market demand for their products, as well as the customers' demands for lower product manufacturing costs. As a result, the Company has initiated restructuring actions to reduce the manufacturing capacity in these geographies, which includes downsizing and closure of manufacturing facilities. The

restructuring actions also include transferring programs from higher cost geographies to lower cost geographies. Revenue from Asian operations increased 113%, to $2,109.7 million in 2002 from $991.1 million in 2001. The increase in revenue from Asian operations is primarily due to acquisitions and an increase in base-business volumes. The effect of the 2002 acquisitions and the shifting of program activities from other geographies are expected to increase revenue in the Asian operations in 2003.

Revenue increased 3%, to $10,004.4 million in 2001 from $9,752.1 million in 2000. Acquisition revenue grew by 14%, offset by an 11% decline in base-business volumes. The acquisition growth was a result of strategic acquisitions in the communications industry, primarily in the U.S. and Asia. Base-business revenue declined in 2001 due to the softening of end markets. Revenue from the Americas operations decreased 3%, to $6,334.6 million in 2001 from $6,542.7 million in 2000, primarily due to continued end-market softening which was partially offset by acquisitions. Revenue from European operations increased 6%, to $3,001.3 million in 2001 from $2,823.3 million in 2000, due to the flow through of the IBM acquisition from 2000, and from the 2001 acquisitions, partially offset by the general industry downturn. Revenue from Asian operations increased 14%, to $991.1 million in 2001 from $871.6 million in 2000, primarily due to the Omni acquisition offset in part by the general industry downturn.

The following represents the end-market industries as a percentage of revenue for the indicated periods:

	YEAR ENDED DECEMBER 31		
	2000	2001	2002
Communications	31%	36%	45%
Servers	33%	31%	26%
Storage and other	14%	18%	22%
Workstations and PCs	22%	15%	7%

The following customers represented more than 10% of total revenue for each of the indicated periods:

	YEAR ENDED DECEMBER 31		
	2000	2001	2002
Sun Microsystems	X	X	X
IBM	X	X	X
Lucent Technologies		X	X

Celestica's top five customers represented in the aggregate 66% of total revenue in 2002, compared to 67% in 2001 and 69% in 2000. The Company is dependent upon continued revenue from its top customers. There can be no assurance that revenue from these or any other customers will not increase or decrease as a percentage of total revenue either individually or as a group. Any material decrease in revenue from these or other customers could have a material adverse effect on the Company's results of operations. See notes 17 (concentration of risk) and 19 to the Consolidated Financial Statements.

GROSS PROFIT

Gross profit decreased 22%, to $555.8 million in 2002 from $712.5 million in 2001. Gross margin decreased to 6.7% in 2002 from 7.1% in 2001. Gross margins decreased 0.4% from prior year, primarily due to the significant reduction in business volumes and industry pricing pressures. The European operations were most adversely affected as they were operating at lower levels of utilization and higher fixed costs for the year. The volume reductions tended to impact higher value-added products, disproportionately, further adversely affecting

the European margins. In addition, costs for the European operations were higher than expected due to delays in transferring programs, the slower pace of restructuring and some process scrap and related inventory issues, in the latter part of the year. The margin declines in the European operations were offset partially by improved margins in the Americas and Asian operations. The Americas improved its operating efficiencies, had higher value-added product mix and benefited from restructuring actions. Asian margins improved on higher volumes and utilization rates.

Gross profit increased 4%, to $712.5 million in 2001 from $688.0 million in 2000. Gross margin was 7.1% in 2001, consistent with 2000. Margins were maintained due to continued focus on costs and supply chain initiatives, and the benefits of the 2001 restructuring actions.

For the foreseeable future, the Company's gross margin is expected to depend on product mix, production efficiencies, utilization of manufacturing capacity, geographic manufacturing mix, start-up activity, new product introductions, pricing within the electronics industry, cost structure at individual sites and other factors. Over time, gross margins at individual sites and for the Company as a whole are expected to fluctuate. Also, the availability of labour and raw materials, which are subject to lead time and other constraints, could possibly limit the Company's revenue growth.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative (SG&A) expenses decreased 13%, to $298.5 million (3.6% of revenue) in 2002 from $341.4 million (3.4% of revenue) in 2001. SG&A as a percentage of revenue increased as certain elements of expenses were fixed over this period. The decrease in SG&A, on an absolute basis, reflects the benefits from the Company's restructuring programs and a reduction in discretionary spending, which more than offset the increase in expenses due to operations acquired in the latter part of 2001 and in 2002.

SG&A increased 5%, to $341.4 million (3.4% of revenue) in 2001 from $326.1 million (3.3% of revenue) in 2000. The increase in expenses was primarily due to operations acquired during 2000 and 2001.

Research and development costs increased to $18.2 million (0.2% of revenue) in 2002, compared to $17.1 million (0.2% of revenue) in 2001 and $19.5 million (0.2% of revenue) in 2000.

AMORTIZATION OF GOODWILL AND INTANGIBLE ASSETS

Amortization of goodwill and intangible assets decreased 23%, to $95.9 million in 2002 from $125.0 million in 2001. Effective January 1, 2002, the Company fully adopted the new accounting standards for goodwill and discontinued amortization of all goodwill effective that date. Amortization of goodwill for 2001 was $39.2 million. See "-- Recent Accounting Developments." The decrease in amortization is the result of this change in accounting for goodwill, offset in part by the amortization of intangible assets arising from

the 2001 and 2002 acquisitions. See note 2(q)(ii) to the Consolidated Financial Statements for the impact of the change in policy on net earnings (loss) and per share calculations.

Amortization of goodwill and intangible assets increased 41%, to $125.0 million in 2001 from $88.9 million in 2000. The increase is attributable to the goodwill and intangible assets arising from the 2000 and 2001 acquisitions.

INTEGRATION COSTS RELATED TO ACQUISITIONS

Integration costs related to acquisitions represent one-time costs incurred within 12 months of the acquisition date, such as the costs of implementing compatible information technology systems in newly acquired operations, establishing new processes related to marketing and distribution processes to accommodate new customers, and salaries of personnel directly involved with integration activities. All of the integration costs incurred related to newly acquired facilities, and not to the Company's existing operations.

Integration costs were $21.1 million in 2002, compared to $22.8 million in 2001 and $16.1 million in 2000. The integration costs incurred in 2002 primarily relate to the Lucent, NEC Japan and Omni acquisitions.

Integration costs vary from period to period due to the timing of acquisitions and related integration activities.

OTHER CHARGES

In 2002, Celestica incurred $677.8 million in other charges, compared to $273.1 million in 2001.

	YEAR ENDED DECEMBER 31	
	2001	2002
	(in millions)	
2001 restructuring	$237.0	$ 1.9
2002 restructuring	--	383.5
2002 goodwill impairment	--	203.7
Other impairment	36.1	81.7
Deferred financing costs and debt redemption fees	--	9.6
Gain on sale of surplus land	--	(2.6)
	$273.1	$677.8

Further details of the other charges are included in note 13 to the Consolidated Financial Statements.

As of December 31, 2002, the Company had announced two restructuring plans in response to the economic climate. These actions, which included reducing the workforce, consolidating facilities and changing the strategic focus of the number and geography of sites, were largely intended to align the Company's capacity and infrastructure to anticipated customer demand, as well as to rationalize its footprint worldwide. The 2001 restructuring plan amounted to

$237.0 million. The 2002 restructuring plan amounted to $383.5 million. Cash outlays are funded from cash on hand. In January 2003, the Company announced a restructuring to further reduce its manufacturing capacity. See "-- Recent Developments."

The Company has and expects to continue to benefit from the restructuring measures taken in 2001 and 2002 through reduced operating costs. The Company has completed the major components of the 2001 restructuring plan, except for certain long-term lease and other contractual obligations. The Company expects to complete the major components of the 2002 restructuring plan by the end of 2003, except for certain long-term lease and other contractual obligations. The Company continues to evaluate its cost structure relative to its revenue levels and has announced that it will take additional restructuring charges in 2003. See "-- Recent Developments."

In the fourth quarter of 2002, the Company recorded a non-cash charge against goodwill of $203.7 million, in connection with its annual impairment assessments of goodwill. An independent third-party valuation confirmed the fair value of the reporting units and the impairment assessment. In the fourth quarter of 2002, the Company also recorded a non-cash charge of $81.7 million, primarily against intangible assets. In 2001, the Company recorded a non-cash charge of $36.1 million, primarily against goodwill and intangible assets. See note 7 to the Consolidated Financial Statements.

The Company may continue to experience goodwill and intangible asset impairment charges in the future as a result of adverse changes in the electronics industry, customer demand and other market conditions, which may have a material adverse effect on the Company's financial condition.

INTEREST INCOME, NET

Interest income in 2002 amounted to $17.2 million, compared to $27.7 million in 2001, and $36.8 million in 2000. Interest income decreased for 2002 compared to 2001, primarily due to lower interest rates on cash balances. Interest income was offset by interest expense on the Company's Senior Subordinated Notes and debt facilities, which has decreased from $19.8 million in 2001 to $16.1 million in 2002, due to the redemption of the Senior Subordinated Notes in August 2002. Interest expense is expected to decrease for 2003 as a result of the full-year effect of the redemption.

INCOME TAXES

The income tax recovery in 2002 was $91.2 million, reflecting an effective tax recovery rate of 17%. This is compared to an income tax recovery of $2.1 million in 2001, reflecting an effective tax recovery rate of 5%.

The Company's effective tax rate is the result of the mix and volume of business in lower tax jurisdictions within Europe and Asia. These lower tax rates include tax holidays and tax incentives that Celestica has negotiated with the respective tax authorities which expire between 2004 and 2012. The tax benefit arising from these incentives is approximately $24.9 million, or $0.11 diluted per share for 2002 and $9.6 million, or $0.04 diluted per share for 2001. The Company expects the current tax rate of 17% to continue for the foreseeable future based on the anticipated nature and conduct of its business and the tax laws, administrative practices and judicial decisions now in effect in the countries in which the Company has assets or conducts business, all of which are subject to change or differing interpretation, possibly with retroactive effects.

The net deferred income tax asset as at December 31, 2002 of $274.3 million

arises from available income tax losses and future income tax deductions. The Company's ability to use these income tax losses and future income tax deductions is dependent upon the operations of the Company in the tax jurisdictions in which such losses or deductions arose. Management records 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. Based on the reversal of deferred income tax liabilities, projected future taxable income, the character of the income tax asset and tax planning strategies, management has determined that a valuation allowance of $76.6 million is required in respect of its deferred income tax assets as at December 31, 2002. No valuation allowance was required for the deferred income tax assets as at December 31, 2001. In order to fully utilize the net deferred income tax assets of $274.3 million, the Company will need to generate future taxable income of approximately $741.0 million. Based on the Company's current projection of taxable income for the periods in which the deferred income tax assets are deductible, it is more likely than not that the Company will realize the benefit of the net deferred income tax assets as at December 31, 2002.

UNAUDITED QUARTERLY FINANCIAL HIGHLIGHTS

	2001				
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	FIRST QUARTER
	(in millions, except per share a				
Revenue	$2,692.6	$2,660.7	$2,203.0	$2,448.2	$2,151.5
Cost of Sales	$2,499.3	$2,468.5	$2,053.5	$2,270.7	$1,999.4
Gross Profit %	7.2%	7.2%	6.8%	7.3%	7.1%
Net earnings (loss)	$ 54.8	$ 15.8	$ (38.7)	$ (71.8)	$ 39.7
Weighted average # of shares outstanding (in millions)					
-- basic	203.6	207.0	218.1	227.1	229.8
-- diluted	223.1	225.5	218.1	227.1	236.8
Earnings (loss) per share					
-- basic	$ 0.25	$ 0.06	$ (0.20)	$ (0.33)	$ 0.15
-- diluted	$ 0.25	$ 0.06	$ (0.20)	$ (0.33)	$ 0.15

See "-- Capital Resources" for information regarding the impact of foreign currency fluctuations on the Company.

B. LIQUIDITY AND CAPITAL RESOURCES

In 2002, operating activities provided Celestica with $982.8 million in cash, compared to $1,290.5 million in 2001. Cash was generated from earnings and a reduction in working capital, primarily inventory, due to improved inventory management, and the collection of accounts receivable. The Company will continue to focus on improving working capital management. Cash generated from operations was sufficient to fully fund the Company's investing and financing activities for 2002.

Investing activities for 2002 included capital expenditures of $151.4 million, and asset acquisitions of $111.0 million, offset in part by proceeds from the sale of the Company's Columbus, Ohio facility and from the

sale-leaseback of machinery and equipment.

In 2002, Celestica redeemed the entire $130.0 million of outstanding Senior Subordinated Notes which were due in 2006 and paid the contractual premium of 5.25%, or $6.9 million, on redemption. The Company also reduced the leverage on its balance sheet by repurchasing Liquid Yield Option-TM- Notes (LYONs) in the open market. These LYONs, having a principal amount at maturity of $222.9 million, were repurchased at an average price of $450.10 per LYON, for a total of $100.3 million. A gain of $6.7 million, net of taxes of $3.9 million, was recorded. See further details in note 10 to the Consolidated Financial Statements. The Company may, from time to time, purchase additional LYONs in the open market. Subsequent to year-end, the board of directors authorized the Company to spend up to an additional $100.0 million to repurchase LYONs, at management's discretion. This is in addition to the amounts authorized in October 2002, of which $48.0 million remains available for future purchases. The amount and timing of future purchases cannot be determined at this time.

In July 2002, Celestica filed a Normal Course Issuer Bid to repurchase up to 9.6 million subordinate voting shares, for cancellation, over a period from August 1, 2002 to July 30, 2003. The shares will be purchased at the market price at the time of purchase. The number of shares to be repurchased during any 30-day period may not exceed 2% of the outstanding subordinate voting shares. A copy of our Notice relating to the Normal Course Issuer Bid may be obtained from Celestica, without charge, by contacting the Company's Investor Relations Department at clsir@celestica.com. In 2002, the Company repurchased 2.0 million subordinate voting shares at a weighted average price of $16.23 per share. All of these transactions were funded with cash on hand.

In 2001, operating activities provided Celestica with $1,290.5 million in cash principally from earnings and a reduction in working capital. The primary factors contributing to the positive cash flow for the year were the reduction of inventory due to better inventory management, strong accounts receivable collections and the sale of $400.0 million in accounts receivable under a revolving facility, offset by a decrease in accounts payable and accrued liabilities. Investing activities in 2001 included capital expenditures of $199.3 million and $1,299.7 million for acquisitions. See "-- Recent Acquisitions." The Company fully funded the 2001 acquisitions with cash from operations. The Company's 2001 financing activities included the issuance in May of 12.0 million subordinate voting shares for gross proceeds of $714.0 million and the repayment of $56.0 million of debt acquired in connection with the acquisition of Omni.

CAPITAL RESOURCES

During the year, Celestica amended its credit facilities. At December 31, 2002, the Company had two credit facilities: a $500.0 million four-year revolving term credit facility and a $350.0 million revolving term credit facility which expire in 2005 and 2004, respectively. The Company elected to cancel its third credit facility which was originally entered into in July 1998. The credit facilities permit Celestica and certain designated subsidiaries to borrow funds directly for general corporate purposes (including acquisitions) at floating rates. Under the credit facilities: Celestica is required to maintain certain financial ratios; its ability and that of certain of its subsidiaries to grant security interests, dispose of assets, change the nature of its business or enter into business combinations, is restricted; and, a change in control is an event of default. No borrowings were outstanding under the revolving credit facilities at December 31, 2002.

Celestica and certain subsidiaries have uncommitted bank facilities which total $47.1 million that are available for operating requirements.

Celestica believes that cash flow from operating activities, together with

cash on hand and borrowings available under its credit facilities, will be sufficient to fund currently anticipated working capital, planned capital spending and debt service requirements for the next 12 months. The Company expects capital spending for 2003 to be in the range of 1.5% to 2.0% of revenue. At December 31, 2002, Celestica had committed $30.3 million in capital expenditures. In addition, Celestica regularly reviews acquisition opportunities, and therefore, may require additional debt or equity financing.

The Company has an arrangement to sell up to $400.0 million in accounts receivable under a revolving facility which is available until September 2004. As of year-end, the Company generated cash from the sale of

$320.5 million in accounts receivable. The terms of the arrangement provide that the purchaser may elect not to purchase receivables if Celestica's credit rating falls below a specified threshold. Celestica's credit rating is significantly above that threshold.

Celestica prices the majority of its products in U.S. dollars, and the majority of its material costs are also denominated in U.S. dollars. However, a significant portion of its non-material costs (including payroll, facilities costs, and costs of locally sourced supplies and inventory) are denominated in various currencies. As a result, Celestica may experience transaction and translation gains or losses because of currency fluctuations. The Company has an exchange risk management policy in place to control its hedging programs and does not enter into speculative trades. At December 31, 2002, Celestica had forward foreign exchange contracts covering various currencies in an aggregate notional amount of $669.1 million with expiry dates up to March 2004, except for one contract for $10.6 million that expires in January 2006. The fair value of these contracts at December 31, 2002, was an unrealized gain of $18.9 million. Celestica's current hedging activity is designed to reduce the variability of its foreign currency costs and generally involves entering into contracts to trade U.S. dollars for Canadian dollars, British pounds sterling, Mexican pesos, euros, Thai baht, Singapore dollars, Brazilian reais, Japanese yen and Czech koruna at future dates. In general, these contracts extend for periods of less than 19 months. Celestica may, from time to time, enter into additional hedging transactions to minimize its exposure to foreign currency and interest rate risks. There can be no assurance that such hedging transactions, if entered into, will be successful. See note 2(n) to the Consolidated Financial Statements.

As at December 31, 2002, the Company has contractual obligations that require future payments as follows:

	TOTAL	2003	2004	2005	2006	
				(in millions)		
Long-term debt	$ 6.9	$ 2.7	$ 2.5	$ 1.5	$ 0.1	
Operating leases	338.3	106.5	59.5	38.9	23.0	

As at December 31, 2002, the Company has convertible instruments, the LYONs, with an outstanding principal amount at maturity of $1,590.6 million payable August 1, 2020. Holders of the instruments have the option to require Celestica to repurchase their LYONs on August 2, 2005, at a price of $572.82 per LYON, or a total of $911.1 million. The Company may elect to settle its repurchase obligation in cash or shares, or any combination thereof. See further details in note 10 to the Consolidated Financial Statements.

Under the terms of an existing real estate lease which expires in 2004, Celestica has the right to acquire the real estate at a purchase price equal to the lease balance which currently is approximately $37.3 million. In the event that the lease is not renewed, subject to certain conditions, Celestica may choose to market and complete the sale of the real estate on behalf of the lessor. If the highest offer received is less than the lease balance, Celestica would pay the lessor the lease balance less the gross sale proceeds, subject to a maximum of $31.5 million. In the event that no acceptable offers are received, Celestica would pay the lessor $31.5 million and return the property to the lessor. Alternatively, Celestica may choose to acquire the real estate at the expiration for a price equal to the then current lease balance. The future lease payments under this lease are included in the total operating lease commitments.

As at December 31, 2002, the Company has commitments that expire as follows:

	TOTAL	2003	2004	2005	2006	-
				(in millions)		
Foreign currency contracts.....	$669.1	$621.5	$ 39.6	$ 5.3	$ 2.7	
Letters of credit, letters of guarantee and surety and performance bonds.....	61.2	37.6	1.0	16.9	--	

The Company has also provided routine indemnifications, whose terms range in duration and often are not explicitly defined. These guarantees may include indemnifications against adverse effects due to changes in tax laws and patent infringements by third parties. The maximum amounts from these indemnifications cannot be reasonably estimated. In some cases, the Company has recourse against other parties to mitigate its risk of loss

from these guarantees. Historically, the Company has not made significant payments relating to these indemnifications.

The Company expenses management related fees charged by its parent company. Management believes that the fees charged are reasonable in relation to the services provided. See note 15 to the Consolidated Financial Statements.

RECENT DEVELOPMENTS

In January 2003, the Company made the following announcements:

In response to the continued limited visibility in end markets, the Company plans to further reduce its manufacturing capacity. The reduction in capacity will result in a pre-tax restructuring charge of between $50.0 million and $70.0 million, to be recorded during 2003, of which approximately 80% will be cash costs.

The Company has, from time to time, purchased LYONs on the open market. The Company has been authorized by the board of directors to spend up to an additional $100.0 million to repurchase LYONs, at management's discretion. This is in addition to the amounts authorized in October 2002, of which $48.0 million remains available for future purchases.

RECENT ACCOUNTING DEVELOPMENTS

BUSINESS COMBINATIONS, GOODWILL AND OTHER INTANGIBLE ASSETS:

In September 2001, the CICA issued Handbook Sections 1581, "Business Combinations" and 3062, "Goodwill and Other Intangible Assets." The FASB issued similar standards in July 2001. See notes 2(q)(ii) and 22(k) to the Consolidated Financial Statements.

STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS:

Effective January 1, 2002, the Company adopted the new CICA Handbook Section 3870. See note 2(q)(iii) to the Consolidated Financial Statements.

FOREIGN CURRENCY TRANSLATION AND HEDGING RELATIONSHIPS:

In January 2002, the CICA issued Accounting Guideline AcG-13. See note 2(r) to the Consolidated Financial Statements.

IMPAIRMENT OF LONG-LIVED ASSETS:

In August 2001, FASB approved SFAS No. 143, "Accounting for Asset Retirement Obligations" and in October 2001, FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." In December 2002, the CICA issued standards similar to SFAS No. 144. See notes 22(k) and 2(r) to the Consolidated Financial Statements.

COSTS ASSOCIATED WITH EXIT OR DISPOSAL ACTIVITIES:

In July 2002, FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," effective for exit or disposal activities that are initiated after December 31, 2002. See note 22(k) to the Consolidated Financial Statements.

GUARANTEES:

In November 2002, FASB issued FIN 45, "Guarantor's Accounting and Disclosure Requirements." In December 2002, the CICA approved AcG-14 which harmonizes Canadian GAAP to the disclosure requirements of FIN 45. See notes 22(k) and 2(r) to the Consolidated Financial Statements.

CONSOLIDATION OF VARIABLE INTEREST ENTITIES:

In January 2003, FASB issued FIN 46, "Consolidation of Variable Interest Entities." See note 22(k) to the Consolidated Financial Statements.

C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

Certain information concerning research and development and intellectual property is set forth in "-- Operating Results -- Selling, general and administrative expenses" and in Item 4, "Information of the Company -- Business Overview -- Celestica's Business -- Technology and Research and Development."

D. TREND INFORMATION

During the past two years, economic growth slowed and, in some regions of the world, the economy contracted. The demand for technology products fell significantly and Celestica's customers experienced commensurately reduced demand for their products. In turn, Celestica experienced reduced demand for the manufacturing services that we provide. In 2003, the economic environment continues to be uncertain, and Celestica continues to experience limited visibility in end-market demand. Given the difficult economic environment, Celestica has been focused on re-aligning capacity to match current levels of

product demand, generating increased levels of cash flow, and improving operating efficiencies. We intend to continue these activities in 2003. There continues to be a significant number of outsourcing opportunities and Celestica is well positioned to participate further in the trend towards increased outsourcing by OEMs. If, however, economic conditions were to deteriorate significantly beyond current expectations, Celestica would likely continue reducing capacity to match reduced levels of demand.

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. Executive officers of Celestica are appointed annually and serve at the discretion of the board of directors. The following table sets forth certain information regarding the directors and senior officers of Celestica.

NAME	AGE	POSITION WITH CELESTICA
Eugene V. Polistuk.....	56	Chairman of the Board, Chief Executive Officer,
Robert L. Crandall.....	67	Director
William A. Etherington.....	61	Director
Richard S. Love.....	65	Director
Roger L. Martin.....	46	Director
Anthony R. Melman.....	55	Director
Michio Naruto.....	67	Director
Gerald W. Schwartz.....	61	Director
Charles W. Szuluk.....	60	Nominee to Board of Directors
Don Tapscott.....	55	Director
J. Marvin M(a)Gee.....	50	President and Chief Operating Officer
Anthony P. Puppi.....	45	Executive Vice President, Chief Financial Offic General Manager, Global Services
R. Thomas Tropea.....	50	Vice Chair, Global Customer Units and Worldwide and Business Development
Stephen W. Delaney.....	43	President, Americas
N.K. Quek.....	55	President, Asia
Peter J. Bar.....	45	Vice President and Corporate Controller
Arthur P. Cimento.....	45	Senior Vice President, Corporate Strategies
Elizabeth L. DelBianco.....	43	Vice President, General Counsel, and Secretary

NAME	AGE	POSITION WITH CELESTICA
Iain S. Kennedy.....	41	Group Executive, Global Supply Chain and Inform Technology
Donald S. McCreesh.....	54	Senior Vice President, Human Resources
Paul Nicoletti.....	35	Vice President and Corporate Treasurer
Daniel P. Shea.....	46	Group Executive and Chief Technology Officer
Rahul Suri.....	38	Senior Vice President, Corporate Development
F. Graham Thouret.....	48	Senior Vice President, Finance

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

EUGENE V. POLISTUK is the founder, Chairman of the Board of Directors and Chief Executive Officer of Celestica. He has been the Chief Executive Officer of Celestica since its establishment in 1994, and was Celestica's President until February 2001. Since 1986, Mr. Polistuk has been instrumental in charting Celestica's transformation and executing the company's successful evolution from its early history as an operating unit with IBM, to a standalone public company and leader in the electronics manufacturing services industry. Previously, Mr. Polistuk spent 25 years with IBM Canada, where, over the course of his career, he managed all key functional areas of the business. In 1994, he was presented with the "2T5 Meritorious Service Medal" in recognition of his meritorious service in and for the profession, by his peers in the University of Toronto Engineering Alumni Association. And more recently, in 2002, Mr. Polistuk was inducted by the University of Toronto into its Engineering Hall of Distinction for his contributions to engineering and society. Mr. Polistuk holds a Bachelor of Applied Science degree in Electrical Engineering from the University of Toronto and a Doctor of Engineering (Hon.) from Ryerson University.

ROBERT L. CRANDALL is the retired Chairman of the Board and Chief Executive Officer of AMR Corporation/ American Airlines Inc. Mr. Crandall has been a director of Celestica since July 1998 and was appointed Lead Director in December 2002. He is also a director of Anixter International Inc., the Halliburton Company and i2 Technologies Inc. He also serves on the International Advisory Board of American International Group, Inc. Mr. Crandall 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.

WILLIAM A. ETHERINGTON is a corporate director serving on the boards of Celestica Inc. (since October 2001), Canadian Imperial Bank of Commerce, Dofasco Inc., MDS Inc. and AT&T Canada. 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. After joining IBM Canada in 1964, Mr. Etherington ran successively larger portions of the company's business in Canada, Latin America, Europe and from the corporate office in Armonk, New York. He retired from IBM after a 37-year career. Mr. Etherington 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 July 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.

ROGER L. MARTIN is Dean and Professor of Strategy at the Joseph L. Rotman School of Management at the University of Toronto and has been a director of Celestica since July 1998. Mr. Martin was formerly a director of Monitor Company, a Cambridge, Massachusetts based consulting firm, and is Chair of the Ontario Task Force on Competitiveness, Productivity, and Economic Progress. Mr. Martin also serves as a director on the board of The Thomson Corporation, serves on the advisory boards of Butterfield & Robinson and Social Capital Partners, is a founder of E-magine and serves as a trustee of The Hospital for Sick Children. Mr. Martin holds an AB degree (cum laude) from Harvard College

and a Master of Business Administration degree from the Harvard University Graduate School of Business Administration.

ANTHONY R. MELMAN is Vice President of Onex and has been a director of Celestica since 1996. Dr. Melman joined Onex in 1984. He serves on the boards of various Onex subsidiaries. From 1977 to 1984, Dr. Melman was Senior Vice President of Canadian Imperial Bank of Commerce, in charge of worldwide merchant banking, project financing, acquisitions and other specialized financing activities. Prior to emigrating to Canada in 1977, he had extensive merchant banking experience in South Africa and the U.K. Dr. Melman is also a director of The Baycrest Centre Foundation, The Baycrest Centre for Geriatric Care, the University of Toronto Asset Management Corporation, and a member of the Board of Governors of Mount Sinai Hospital. He is also Chair of Fundraising for the Pediatric Oncology Group of Ontario (POGO). Dr. Melman holds a Bachelor of Science degree in Chemical Engineering from the University of The Witwatersrand, a Master of Business Administration (gold medalist) from University of Cape Town and a Ph.D. in Finance from the University of The Witwatersrand.

MICHIO NARUTO had been Chairman of the Board of Fujitsu Services (formerly ICL) since 2002. He has been special representative of Fujitsu since June 2000 and was Vice Chairman of Fujitsu until April 2000. Mr. Naruto is currently Chairman of Toyota InfoTechnology Center, a subsidiary of Toyota Motor Corporation. He has been a director of Celestica since October 2001. Mr. Naruto joined Fujitsu Limited in February 1962. In 1981, when the company entered into the technology agreement with ICL, he held the position of General Manager, Business Administration of International Operations. He was appointed to the board of Fujitsu Limited in 1985, in charge of International Operations. Later his responsibility in Fujitsu covered the ICL Business Group; Legal and Industry Relations; and, External Affairs and Export Control. In his current capacity, he attends various international conferences as special representative of Fujitsu and also takes a role as chairman of Fujitsu Research Institute. Mr. Naruto holds a Bachelor of Laws degree from the University of Tokyo.

GERALD W. SCHWARTZ is the Chairman of the Board, President and Chief Executive Officer of Onex Corporation and has been a director of Celestica since July 1998. Prior to founding Onex in 1983, Mr. Schwartz was a co-founder (in 1977) of what is now CanWest Global Communications Corp. He is a director of Onex, The Bank of Nova Scotia, Phoenix Entertainment Corp. and Vincor International Inc., and Chairman of Loews Cineplex Entertainment Corp. Mr. Schwartz is also Vice Chairman and member of the Executive Committee of Mount Sinai Hospital, and is a director, governor or trustee of a number of other organizations, including Junior Achievement of Toronto, Canadian Council of Christians and Jews, The Board of Associates of the Harvard Business School 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, and a Doctor of Laws (Hon.) from St. Francis Xavier University.

CHARLES W. SZULUK, formerly an officer of The Ford Motor Company, was President of Visteon Automotive Systems, and a Group Vice President. From 1988 until 1999, he held positions of increasing responsibility with Ford, including General Manager, Electronics Division, and Vice President, Process Leadership and Information Systems. He retired from Ford in 1999. Prior to joining Ford, he spent 24 years with IBM Corporation in a variety of management and executive management positions. Mr. Szuluk holds a Bachelor of Science degree in Chemical Engineering from the University of Massachusetts and attended Union College of New York in Advanced Graduate Studies.

DON TAPSCOTT is an internationally respected authority, consultant and speaker on business strategy and organizational transformation. He is the author

of several widely read books on the application of technology in business. Mr. Tapscott is President of New Paradigm Learning Corporation -- a business strategy and education company he founded in 1992, and an adjunct Professor of Management at the University of Toronto's Joseph L. Rotman School of Management. He is also a founding member of the Business and Economic Roundtable on Addiction and Mental Health, and a fellow of the World Economic Forum. Mr. Tapscott has been a director of Celestica since September 1998. He holds a Bachelor of Science degree in Psychology and Statistics, and a Master of Education degree, specializing in Research Methodology, as well as a Doctor of Laws (Hon.) from the University of Alberta.

J. MARVIN M(A)GEE has been the President and Chief Operating Officer of Celestica since February 2001. Prior to that, he held the position of Executive Vice President, Worldwide Operations since October 1999. He joined the Company in January 1997, as Senior Vice President, Canadian Operations. Mr. M(a)Gee currently has

responsibility for global manufacturing operations. Before joining Celestica, Mr. M(a)Gee spent 18 years with IBM Canada where he held a number of executive positions in manufacturing and development, with assignments in Canada and the United States. Mr. M(a)Gee holds a Bachelor of Science degree in Mechanical Engineering from the University of New Brunswick and a Master of Business Administration degree from McMaster University.

ANTHONY P. PUPPI has been the Chief Financial Officer of Celestica since its establishment and was a director of Celestica from October 1996 to April 2002. He was appointed Executive Vice President in October 1999 and General Manager, Global Services in January 2001. Mr. Puppi is responsible for Celestica's global financial activities, as well as a number of global services businesses, including design, repair, power systems, and plastics. From 1980 to 1992, he held positions of increasing financial management responsibility with IBM Canada. Mr. Puppi holds a Bachelor of Business Administration degree in Finance and a Master of Business Administration degree from York University in Ontario.

R. THOMAS TROPEA has been Vice Chair, Global Customer Units and Worldwide Marketing and Business Development of Celestica since February 2001. Prior to that, he was the Executive Vice President, Worldwide Marketing and Business Development since October 1999, and was Senior Vice President of Marketing and Business Development from August 1998 to October 1999. Mr. Tropea has responsibility for global marketing and business development. He joined Celestica after an extensive career with Northern Telecom and has over 18 years of experience in the telecommunications industry in North America and Europe, working in critical areas such as sales, finance, business development, investor relations, and manufacturing operations. Mr. Tropea holds a Master of Business Administration degree from the University of Toronto and a Bachelor of Commerce degree from Carleton University.

STEPHEN W. DELANEY has been the President, Americas of Celestica since September 2002. He is responsible for Celestica's operations in North and South America. Prior to that, Mr. Delaney was Senior Vice President, U.S. East Operations since January 2002, and was Senior Vice President, U.S. Central Operations from May 2001 to January 2002. Before joining Celestica, Mr. Delaney was the vice president and general manager of Interior and Exterior Systems Business at Visteon, where he was responsible for a division with 25 plants and 25,000 employees spanning North and South America, Europe, and Asia. Prior to joining Visteon in 1997, as vice president of Supply, Mr. Delaney held executive and senior management roles in the operations of AlliedSignal's Electronic Systems business, Ford's Electronics Division, and IBM's Telecommunications division. Mr. Delaney holds a Masters degree in Business Administration from Duke University in North Carolina and a Bachelor of Science degree in Industrial

Engineering from Iowa State University.

N. K. QUEK has been the President, Asia of Celestica since September 2002. He is responsible for Celestica's operations in China, Hong Kong, Indonesia, Japan, Malaysia, Singapore, and Thailand. Prior to that, Mr. Quek was Senior Vice President, Asia Operations. Before joining Celestica in 1999, he was the Senior Vice President of Asia Operations for IMS. Mr. Quek has over 25 years direct high-tech experience and, over the course of his career, has held positions at Intel, Seagate, National Semi-conductor, GE, SCI Systems and Siemens in operations, repair services, process engineering, quality assurance, and power. Mr. Quek holds a Bachelor degree in Management Studies from the Management Institute of Singapore.

PETER J. BAR has been Vice President and Corporate Controller of Celestica since February 1999. He joined Celestica in March 1998, as Vice President, Finance -- Power Systems. Prior to joining Celestica, Mr. Bar was the Director of Finance 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 Accountants designation.

ARTHUR P. CIMENTO joined Celestica in September 1999 as Senior Vice President, Corporate Strategies. Prior to joining Celestica, he was at McKinsey & Co., a leading international management consulting firm, with a client portfolio focused on electronics operations. Mr. Cimento joined McKinsey in 1988, was elected a Principal in 1993, and held leadership positions in McKinsey's Operations and Electronics practices. Before joining McKinsey, Mr. Cimento held management positions in several engineering services firms. He is a director of the San Francisco Chamber of Commerce. Mr. Cimento holds both a Bachelor of Science and a Master of Science degree in Mechanical Engineering from the Massachusetts Institute of Technology.

ELIZABETH L. DELBIANCO joined Celestica Inc. in February 1998, as Vice President, General Counsel, and Corporate Secretary. She is responsible for the legal affairs of Celestica on a global basis, including all aspects of regulatory compliance and corporate governance. Ms. DelBianco came to Celestica following a 13-year career as a senior corporate legal advisor in the telecommunications industry. Ms. DelBianco 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.

IAIN S. KENNEDY has been a Senior Vice President of Celestica since 1996. He currently is responsible for Celestica's global supply chain management (SCM) and information technology (IT) organizations. As such, Mr. Kennedy is responsible for maintaining industry-leading SCM and IT performance, while continuing to deploy a competitive operational strategy across all functions and regions of the Company's sophisticated global manufacturing network. Previously, he was responsible for the integration of new acquisitions as well as South American operations from October 2000 until November 2002. Prior to that he led Celestica's Mergers and Acquisitions team from 1996 through September 2000. Mr. Kennedy joined IBM Canada in 1984, and, over the course of his career, has held a number of senior management positions in key areas of the business, including supply chain management, manufacturing operations, business development, and information technology as chief information officer from 1996 to 1998. Mr. Kennedy holds a Bachelor of Science degree in Computer Science from the University of Western Ontario and a Master of Business Administration (Ivey Scholar) degree from the Richard Ivey School of Business, University of Western Ontario. In 1998, he was the recipient of Canada's Top 40 Under 40-TM- award in

recognition of attaining a significant level of success before the age of 40.

DONALD S. MCCREESH joined Celestica in August 1999 as Senior Vice President, Human Resources. Prior to joining Celestica, he was the Executive Vice President of Human Resources at the Canadian Imperial Bank of Commerce (CIBC), one of North America's leading financial institutions. In 1988 he joined Northern Telecom, a global leader in telephony, data, wireless and wireline solutions for the Internet. There he held a number of senior human resource management positions. In 1993, he was named Senior Vice President, Human Resources, where he oversaw all global human resource operations for Nortel. Mr. McCreesh holds both a Bachelor of Psychology and a Master of Business Administration degree from McMaster University.

PAUL NICOLETTI has been Vice President and Corporate Treasurer since September 2002. He is responsible for all corporate finance and treasury-related matters, in addition to global tax and investor relations. Previously, he was Vice President, Global Financial Operations since February 2001, where he led the regional financial organizations on a global basis. Prior to that, since August 1999, he was Vice President, Finance and was responsible for all financial aspects of Celestica's Canadian and Mexico EMS operations. Mr. Nicoletti joined IBM in 1989, and, over the course of his career, has held a number of senior financial roles in business development, planning, accounting, pricing, and financial strategies. He was responsible for leading all financial strategies and due diligence relating to the divestiture of Celestica from IBM. Mr. Nicoletti holds a Bachelor of Arts degree from the University of Western Ontario and a Masters of Business Administration degree from York University.

DANIEL P. SHEA has been a Senior Vice President of Celestica since October 1996, and has been the company's Chief Technology Officer since March 1998. In his current role as Group Executive and Chief Technology Officer, Mr. Shea is responsible for all activities including sales, business development, operations, and profit and loss associated with his global accounts, as well as all aspects of the Company's technology development. Mr. Shea joined IBM Canada in 1980, and, over the course of his career, has held a number of engineering management roles including quality, reliability, procurement, development and power systems. Mr. Shea holds a Bachelor of Applied Science degree in Electrical Engineering from the University of Toronto.

RAHUL SURI has been a Senior Vice President of Celestica since July 2000. In his current role as Senior Vice President, Corporate Development, he is responsible for global mergers and acquisitions, as well as for pursuing, developing and implementing strategic corporate development opportunities with new and existing customers and partners. Mr. Suri has more than 13 years of mergers and acquisitions and corporate development experience. Prior to joining Celestica, he held a range of senior positions in the mergers and acquisitions field, including managing director of the M&A group at BMO Nesbitt Burns Investment Banking, and Partner at

Davies Ward Phillips & Vineberg, a leading M&A law firm. Mr. Suri was also a visiting professor at Queen's University Law School, Ontario for three years, where he taught advanced corporate law and mergers and acquisitions. In 1992, he served as policy advisor to the chairman and the executive director of the Ontario Securities Commission on policy and legal matters. Mr. Suri has a Master of Arts degree in law from Cambridge University, England. He is also a qualified barrister and solicitor in the Province of Ontario.

F. GRAHAM THOURET has been a Senior Vice President of Celestica since September 2002. He is currently responsible for the Company's global finance organization. Prior to that, Mr. Thouret was Vice President and Corporate Treasurer of Celestica since October 1997. Before joining Celestica, he served

as vice president and treasurer of Dominion Textile Inc., a public company with international manufacturing and marketing operations. Mr. Thouret has also held senior management positions in the oil and gas industry (Gulf Canada) and investment banking (Burns Fry). Mr. Thouret holds a Bachelor of Engineering (Honours) degree from McGill University and a Master of Science degree in Management from the Massachusetts Institute of Technology.

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

AGGREGATE COMPENSATION OF DIRECTORS AND OFFICERS

Directors who are not officers or employees of Celestica or Onex receive compensation for their services as directors. These directors receive an annual retainer fee of $25,000 and a fee of $2,500 for each meeting of the Board of Directors attended and each meeting attended of a committee of the Board of Directors of which the Director is a member. Meetings of directors are expected to occur at least quarterly. In lieu of receiving such retainer and attendance fees in cash, these directors may elect, at the time they are first elected or appointed to Celestica's Board of Directors, to receive their fees in subordinate voting shares. Directors who joined the Board of Directors at or about the time of Celestica's initial public offering receive an annual retainer and per meeting fee of 2,860 and 286 subordinate voting shares respectively. Under the Directors' Compensation Plan adopted in July 2001, the number of shares to be paid to other eligible directors in lieu of cash is calculated, in the case of meeting fees, by dividing the cash fee that would otherwise be payable by the closing price of subordinate voting shares on the NYSE on the date of the meeting, and, in the case of annual retainer fees, 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 day of the quarter. Each director has the right to elect to defer payment of his fees. Grants of subordinate voting shares for director compensation may not exceed an aggregate of 500,000 subordinate voting shares. The aggregate compensation paid in 2002 by Celestica to our directors in their capacity as directors was $60,000 and the right to receive, in the aggregate for 2002, 19,286 subordinate voting shares (an aggregate of 77,830 subordinate voting shares from the initial public offering through 2002). The delivery of these shares was deferred until the respective directors cease to be directors of Celestica. Mr. Crandall, in his capacity as Chairman of the Executive Committee, also receives an annual grant of 10,000 Performance Units convertible into subordinate voting shares upon his retirement from the Board of Directors.

In 2002, eligible directors were issued options to acquire 10,000 subordinate voting shares pursuant to the Long-Term Incentive Plan, at an exercise price of US$32.40.

As of February 28, 2003, senior officers and directors as a group held options to purchase a total of the following numbers of subordinate voting shares at the purchase price per share indicated below:

NUMBER OF SUBORDINATE VOTING SHARES	PURCHASE PRICE PER SHARE

210,000	$ 0.925
596,737	$ 5.00
483,690	$ 8.75
69,700	$ 7.50
293,880	C$ 18.90
28,600	C$ 20.625
80,000	C$ 31.85
70,000	$ 22.97
486,000	C$ 57.845
60,000	$ 39.03
100,000	C$ 60.00
251,000	C$ 86.50
59,000	$ 56.1875
25,000	C$ 73.50
100,000	$ 50.00
480,200	C$ 66.06
149,000	$ 41.89
5,000	$ 40.06
40,000	C$ 34.50
40,000	$ 23.41
40,000	C$ 72.60
40,000	$ 48.69
40,000	C$ 66.78
40,000	$ 44.23
40,000	$ 35.95
50,000	$ 13.10
145,000	$ 18.66
482,000	C$ 29.11
3,000	C$ 23.29
10,000	$ 32.40

These options expire at various dates from November 4, 2005 through December 18, 2012. See "-- Share Ownership -- Share Purchase and Option Plans" below. See note 11 to the Consolidated Financial Statements in Item 18 for further information about options.

REMUNERATION OF NAMED EXECUTIVE OFFICERS

The following table sets forth the compensation of the Chief Executive Officer of Celestica and the four other most highly compensated executive officers of Celestica during the year ended December 31, 2002 (collectively, the "Named Executive Officers") for services rendered in all capacities during our two most recently completed financial years.

SUMMARY COMPENSATION TABLE

		ANNUAL COMPENSATION(1)		LONG-TERM COMPENSATION AWARDS
NAME AND PRINCIPAL POSITION	YEAR	SALARY ($)	BONUS ($)	SECURITIES UNDER OPTIONS GRANTED(2) (#)
Eugene V. Polistuk.....	2002	700,000	--	150,000
Chairman of the Board and Chief Executive Officer	2001	700,000	--	150,000

J. Marvin M(a)Gee.....	2002	525,000	--	110,000
President and Chief Operating Officer	2001	516,250	--	135,000
Anthony P. Puppi.....	2002	400,000	--	60,000
Executive Vice President, Chief Financial Officer and General Manager, Global Services	2001	400,000	--	59,000
R. Thomas Tropea.....	2002	400,000	--	45,000
Vice Chair, Global Customer Units and Worldwide Marketing and Business Development	2001	400,000	--	59,000
Stephen W. Delaney.....	2002	333,750	--	75,000(4)
President, Americas	2001	204,694(5)	150,000(6)	140,000(7)

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(1) Excludes perquisites and other personal benefits because such compensation did not exceed 10% of the total annual salary and bonus for any of the Named Executive Officers.

(2) See table under "Options Granted During Year Ended December 31, 2002 to Named Executive Officers."

(3) Represents amounts set aside to provide benefits under Celestica's pension plans (see " -- Pension Plans").

(4) Includes 25,000 options granted to Mr. Delaney on October 1, 2002 when he assumed responsibility for the Americas.

(5) Mr. Delaney joined Celestica in May 2001. The amount specified represents Mr. Delaney's salary from his date of hire to the end of the year.

(6) Represents the amount Celestica agreed to pay to Mr. Delaney at his date of hire as a bonus for the year ended December 31, 2001.

(7) Includes 100,000 options granted to Mr. Delaney upon joining Celestica.

(8) Includes $150,000 paid to Mr. Delaney upon joining Celestica.

OPTIONS GRANTED DURING YEAR ENDED DECEMBER 31, 2002 TO NAMED EXECUTIVE OFFICERS

The following table sets out options to purchase subordinate voting shares granted by the Company to the Named Executive Officers during the year ended December 31, 2002.

NAME	SUBORDINATE VOTING SHARES UNDER OPTIONS GRANTED(1)	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN 2002	EXERCISE PRICE	MARKET VALUE OF SUBORDINATE VOTING SHARES ON THE DATE OF GRANT
	(#)		($/share)	($/share)
Eugene V. Polistuk...	150,000	3.9%	C$29.11	C$29.11
J. Marvin M(a)Gee....	110,000	2.8%	C$29.11	C$29.11
Anthony P. Puppi.....	60,000	1.5%	C$29.11	C$29.11

R. Thomas Tropea.....	45,000	1.2%	U.S.$18.66	U.S.$18.66
Stephen W. Delaney...	25,000	0.6%	U.S.$13.10	U.S.$13.10
	50,000	1.3%	U.S.$18.66	U.S.$18.66

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(1) Options vest in four equal annual installments.

OPTIONS EXERCISED DURING MOST RECENTLY COMPLETED FINANCIAL YEAR AND VALUE OF OPTIONS AT DECEMBER 31, 2002 FOR NAMED EXECUTIVE OFFICERS

The following table sets out certain information with respect to options to purchase subordinate voting shares that were exercised by Named Executive Officers during the year ended December 31, 2002 and with respect to subordinate voting shares under option to the Named Executive Officers as at December 31, 2002.

NAME	SUBORDINATE VOTING SHARES ACQUIRED ON EXERCISE	AGGREGATE VALUE REALIZED(1)	UNEXERCISED OPTIONS AT DECEMBER 31, 2002	
			EXERCISABLE(3)	UNEXERCISABLE(3)
Eugene V. Polistuk.....	--	--	598,333	347,500
J. Marvin M(a)Gee.....	--	--	252,382	248,750
Anthony P. Puppi.....	14,869	$139,769	193,446	139,250
R. Thomas Tropea.....	--	--	271,302	170,888
Stephen W. Delaney.....	--	--	35,000	180,000

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(1) Based on the closing price of the underlying shares on The New York Stock Exchange on the date of exercise of the options.

(2) Based on the closing price of the subordinate voting shares on The New York Stock Exchange on December 31, 2002 of $14.10.

(3) Options granted under the ESPO Plans and the Long-Term Incentive Plan. Exercisable options include options that vested January 1, 2003.

PENSION PLANS

Messrs. Polistuk, Puppi and M(a)Gee each participate in Celestica's non-contributory pension plan (the "Canadian Pension Plan"). The Canadian Pension Plan has a defined benefit and a defined contribution portion and provides for a maximum of 30 years' service and retirement eligibility at the earlier of 30 years' service or age 55. They also participate in an unregistered supplementary pension plan (the "Supplementary Plan") that provides benefits equal to the difference between the benefits determined in accordance with the formula set out in the Canadian Pension Plan and Canada Customs and Revenue Agency maximum pension benefits.

Mr. M(a)Gee participates only in the defined contribution portion of the Canadian Pension Plan. The defined contribution portion of the Canadian Pension Plan allows employees to choose how Celestica contributions are invested on

their behalf within a range of investment options provided by third party fund managers. Celestica's contributions to this plan on behalf of an employee range from 3% of earnings to a maximum of 6.75% of earnings based on the number of years of service. Retirement benefits depend upon the performance of the investment options chosen. Celestica currently contributes 6% of earnings annually on behalf of Mr. MaGee.

Messrs. Polistuk and Puppi participate only in the defined benefit portion of the Canadian Pension Plan. The benefit provided under this plan is equal to the benefit entitlement accrued under the relevant IBM plan prior to October 22, 1996, the date Celestica was divested from IBM, plus the benefits earned under the Canadian Pension Plan since that date. The terms of the Canadian Pension Plan, which were accepted by certain employees when they transferred to Celestica, mirrored those of the IBM pension plan in place at the time of divestiture. The Plan is of a modified career average design with benefits based on a three-year earnings average to December 31 of a designated base year (the "Base Year"). In 2002, the Base Year was updated to December 31, 2001 and may be updated from time to time until December 31, 2009. The formula for calculating benefits for the period after October 22, 1996 is the greater of 1.2% of earnings (salary and bonus) or 0.9% of earnings up to the yearly maximum pensionable earnings ("YMPE") level, plus 1.45% of earnings above the YMPE. The defined benefit portion of the Canadian Pension Plan also provides for supplementary early retirement benefits from the date of early retirement to age 65.

The following table sets forth the estimated aggregate annual benefits payable under the defined benefit portion of the Canadian Pension Plan and the Supplementary Plan based on average earnings and years of service.

CANADIAN PENSION PLAN TABLE(1)(2)

	YEARS OF SERVICE			
EARNINGS AVERAGE	20	25	30	35
$ 400,000	$113,000	$142,000	$170,000	$170,000
$ 600,000	$171,000	$214,000	$257,000	$257,000
$ 800,000	$229,000	$287,000	$344,000	$344,000
$1,000,000	$287,000	$359,000	$431,000	$431,000
$1,200,000	$345,000	$432,000	$518,000	$518,000
$1,400,000	$403,000	$504,000	$605,000	$605,000
$1,600,000	$461,000	$577,000	$692,000	$692,000
$1,800,000	$519,000	$649,000	$779,000	$779,000

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(1) This table assumes total of retirement age and years of service is greater than or equal to 80.

(2) All amounts are shown converted into U.S. dollars from Canadian dollars at an exchange rate of US$1.00 = C$1.4880.

As at December 31, 2002, Messrs. Polistuk and Puppi had completed 34 and 23 years of service, respectively.

During the year ended December 31, 2002, Celestica accrued an aggregate of

$749,574 to provide pension benefits for Messrs. Polistuk, Puppi and M(a)Gee pursuant to the Canadian Pension Plan. No other amounts were set aside or accrued by Celestica during the year ended December 31, 2002 for the purpose of providing pension, retirement or similar benefits for Messrs. Polistuk, Puppi and M(a)Gee pursuant to any other plans.

Messrs. Tropea and Delaney participate in the "U.S. Plan." The U.S. Plan qualifies as a deferred salary arrangement under section 401 of the Internal Revenue Code (United States). Under the U.S. Plan, participating employees may defer a portion of their pre-tax earnings not to exceed 20% of their total compensation. Celestica may make contributions for the benefit of eligible employees.

During the year ended December 31, 2002, Celestica contributed $18,500 to the U.S. Plan for the benefit of Messrs. Tropea and Delaney. Except as described above, no other amounts were set aside or accrued by Celestica during the year ended December 31, 2002 for the purpose of providing pension, retirement or similar benefits for Messrs. Tropea and Delaney.

EMPLOYMENT AGREEMENTS

Messrs. Polistuk and Puppi each entered into an employment agreement with Celestica as of October 22, 1996. Mr. Tropea entered into an employment agreement with Celestica as of June 30, 1998. Each agreement provides for the executive's base salary and for benefits in accordance with Celestica's established benefit plans for employees from time to time. Each agreement provides for the executive to receive an amount equivalent to 36 months' salary if Celestica terminates the executive's employment, other than for cause, subject to reduction if the executive earns replacement earnings during such period from other sources.

INDEMNIFICATION AGREEMENTS

Celestica and certain of our subsidiaries have entered into indemnification agreements with certain of the directors and officers of Celestica and our subsidiaries. These agreements generally provide that Celestica or the subsidiary of Celestica which is a party to the agreement, as applicable, will indemnify the director or officer in question (including his or her heirs and legal representatives) against all costs, charges and expenses incurred by him or her in respect of any civil, criminal or administrative action or proceeding to which he or she is made a party by reason of being or having been a director or officer of such corporation or a subsidiary thereof, provided that (a) he or she has acted honestly and in good faith with a view to the best interests of the corporation, and (b) in the case of a criminal or administrative proceeding that is enforced by a monetary penalty, he or she had reasonable grounds for believing that his or her conduct was lawful.

C. BOARD PRACTICES

Members of the Board of Directors are elected until the next annual meeting or until their successors are elected or appointed.

Except for the right to receive deferred compensation (see Item 6(B), "Compensation"), no director is entitled to benefits from Celestica when they cease to serve as a director.

BOARD COMMITTEES

The Board of Directors has established four standing committees, each with a specific mandate. The Executive Committee includes a majority of independent

directors. The Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee are each composed of independent directors.

EXECUTIVE COMMITTEE

Subject to the limitations set out in subsection 127(3) of the Business Corporations Act (Ontario), the Board of Directors has delegated to the Executive Committee the powers to consider and approve certain matters relating to the management of Celestica subject to any regulations or restrictions that may from time to time be made or imposed upon the Executive Committee by the Board of Directors. The members of the Executive Committee are Mr. Crandall, Mr. Melman and Mr. Polistuk, the majority of whom are independent.

AUDIT COMMITTEE

The Audit Committee consists of Mr. Crandall, Mr. Etherington, Mr. Love, Mr. Martin and Mr. Tapscott, all of whom are independent directors. The Audit Committee has a well-defined mandate which, among other things, sets out its relationship with, and expectations of, the external auditors, including the establishment of the independence of the external auditors and approval of any non-audit mandates of the external auditor; the engagement, evaluation, remuneration and termination of the external auditor; its relationship with, and expectations of, the internal auditor function and its oversight of internal control; and the disclosure of financial and related information. The Audit Committee has direct communication channels with the internal and external auditors to discuss and review specific issues and has the authority to retain such independent advisors as it may consider appropriate. The Audit Committee annually reviews and approves the mandate and plan of the internal audit department. The Audit Committee's duties include the responsibility for reviewing financial statements with management and the auditors, monitoring the integrity of Celestica's management information systems and internal control procedures, and reviewing the adequacy of Celestica's processes for identifying and managing risk.

COMPENSATION COMMITTEE

The Compensation Committee consists of Mr. Crandall, Mr. Etherington, Mr. Love, Mr. Melman and Mr. Tapscott, all of whom are independent directors. It is the responsibility of the Compensation Committee to define and communicate compensation policy and principles that reflect and support the Company's strategic direction, business goals and desired culture. The mandate of the Compensation Committee includes the following: review and recommend to the Board of Directors the Company's compensation strategy, including plan design, performance targets and program administration; recommend to the Board of Directors the compensation of the Chief Executive Officer based on the Board of Directors' assessment of the annual performance of the Chief Executive Officer; review and recommend to the Board of Directors the compensation of the Named Executive Officers and other senior managers whose compensation is subject to review by the Board of Directors; review the Company's succession plans for key executive positions; and review and approve material changes to the Company's organizational structure and human resource policies.

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

The Nominating and Corporate Governance Committee consists of Mr. Crandall, Mr. Etherington, Mr. Love, Mr. Melman and Mr. Tapscott, all of whom are independent directors. The Nominating and Corporate Governance Committee recommends to the Board the criteria for selecting candidates for nomination to the Board and the individuals to be nominated for election by the shareholders. The Committee's mandate includes making recommendations to the Board relating to

the Company's approach to corporate governance, developing the Company's corporate governance guidelines, assessing the performance of the Chief Executive Officer relative to corporate goals and objectives established by the Committee, and assessing the effectiveness of the Board of Directors and its committees.

D. EMPLOYEES

Celestica has over 40,000 permanent and temporary (contract) employees worldwide as of December 31, 2002. The following table sets forth information concerning our employees by geographic location:

	NUMBER OF EMPLOYEES		
DATE	AMERICAS	EUROPE	ASIA
December 31, 2000	16,000	6,000	7,000
December 31, 2001	17,500	7,500	15,000
December 31, 2002	14,500	6,000	19,500

During the year ended December 31, 2002, approximately 10,000 temporary (contract) employees were engaged by Celestica worldwide. During the year ended December 31, 2002, approximately 4,600 employees, including temporary (contract) employees, were terminated as a result of restructuring actions announced during the year. See note 13 to the Consolidated Financial Statements in Item 18 for further information on the restructuring.

Certain information concerning employees is set forth in Item 4, "Information on the Company -- Business Overview -- Human Resources."

E. SHARE OWNERSHIP

The following table sets forth certain information concerning the direct and beneficial ownership of shares of Celestica at February 28, 2003 by each director who holds shares and each of the Named Executive Officers and all directors and executive officers of Celestica as a group. Unless otherwise noted, the address of each of the shareholders named below is Celestica's principal executive office. In this table, multiple voting shares are referred to as "MVS", subordinate voting shares are referred to as "SVS", and Celestica's Liquid Yield Option-TM- Notes due 2020 are referred to as "LYONs."

NAME OF BENEFICIAL OWNER(1)	VOTING SHARES		PERCENTAGE OF CLASS	PERCE EQUIT
Eugene V. Polistuk(2)	720,892	SVS	*	
Robert L. Crandall(3)	110,000	SVS	*	
	15,130	LYONs (4)	*	
William E. Etherington(5)	16,250	SVS	*	
Richard S. Love(6)	105,000	SVS	*	
Roger L. Martin(7)	73,000	SVS	*	
Anthony R. Melman(8)(9)	450,000	SVS	*	
Gerald W. Schwartz(8)(10)	39,065,950	MVS	100.0%	

	3,671,982	SVS	1.9%
Don Tapscott(11).....	93,000	SVS	*
J. Marvin M(a)Gee.....	308,632	SVS	*
Anthony P. Puppi.....	293,667	SVS	*
R. Thomas Tropea.....	351,302	SVS	*
Stephen W. Delaney.....	61,657	SVS	*
All directors and executive officers as a group (22 persons)(2)(3)(5)(6)(7)(8)(9)(10)(11)(12)....	39,065,950	MVS	100.0%
	7,280,453	SVS	3.8%
Total percentage of all equity shares and total percentage of voting power.....			

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* Less than 1%.

(1) As used in this table, "beneficial ownership" means sole or shared power to vote or direct the voting of the security, or the sole or shared investment power with respect to a security (I.E., the power to dispose, or direct a disposition, of a security). A person is deemed at any date to have "beneficial ownership" of any security that such person has a right to acquire within 60 days of such date. Certain 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.

(2) Includes 598,333 subordinate voting shares subject to exercisable options.

(3) Includes 100,000 subordinate voting shares subject to exercisable options.

(4) Each LYON is convertible into 5.6748 subordinate voting shares at the option of the holder.

(5) Includes 6,250 subordinate voting shares subject to exercisable options.

(6) Includes 100,000 subordinate voting shares subject to exercisable options.

(7) Includes 73,000 subordinate voting shares subject to exercisable options.

(8) The address of such shareholders is: c/o Onex Corporation, 161 Bay Street, P.O. Box 700, Toronto, Ontario, Canada M5J 2S1.

(9) Includes 274,588 subordinate voting shares owned by Onex which are subject to options granted to Mr. Melman pursuant to certain management investment plans of Onex.

(10) Includes 188,744 subordinate voting shares owned by a company controlled by Mr. Schwartz and all of the shares of Celestica beneficially owned by Onex, of which 1,077,500 subordinate voting shares are subject to options granted to Mr. Schwartz pursuant to certain management incentive plans of Onex. Mr. Schwartz, a director of Celestica, is the Chairman of the Board, President and Chief Executive Officer of Onex, and controls Onex through his ownership of shares, with a majority of the voting rights attaching to all shares of Onex. Accordingly, Mr. Schwartz may be deemed to be the beneficial owner of shares of Celestica beneficially owned by Onex.

(11) Includes 93,000 subordinate voting shares subject to exercisable options.

(12) Includes 425,200 subordinate voting shares held by Towers Share Plan Services, in trust for Celestica Employee Nominee Corporation as agent for and on behalf of individual Celestica executives, pursuant to the provisions of Celestica employee benefit plans, and 666,437 subordinate voting shares which are subject to options.

MVS and SVS have different voting rights. See Item 10, "Additional Information -- Memorandum and Articles of Incorporation."

SHARE PURCHASE AND OPTION PLANS

We have issued subordinate voting shares and have granted options to acquire subordinate voting shares for the benefit of certain of our employees and executives pursuant to various employee share purchase and option plans in effect prior to our initial public offering (the "ESPO Plans"). No further options or subordinate voting shares (other than pursuant to outstanding options) may be issued under these ESPO Plans.

Pursuant to the ESPO Plans, employees and executives of Celestica were offered the opportunity to purchase subordinate voting shares and, in connection with such purchase, receive options to acquire an additional number of subordinate voting shares based on the number of subordinate voting shares acquired by them under the ESPO Plans (on average, approximately 1.435 options for each subordinate voting share acquired under the ESPO Plans). In each case, the exercise price for the options is equal to the price per share paid for the corresponding subordinate voting shares acquired under the ESPO Plans.

Upon the completion of Celestica's initial public offering, certain options became exercisable. The balance of the options issued under the ESPO Plans vest over a period of five years beginning December 31, 1998. All options granted under the ESPO Plans were fully vested as of December 31, 2002. All subordinate voting shares acquired by employees under the ESPO Plans are held either by the employee, or by Towers Perrin Share Plan Services in trust for Celestica Employee Nominee Corporation as agent for and on behalf of such employees.

As at February 28, 2003, approximately 4,500 persons held options to acquire an aggregate of approximately 25,536,000 subordinate voting shares. Most of these options were issued pursuant to the ESPO and LTIP Plans. The following table sets forth information with respect to options outstanding as at February 28, 2003.

OUTSTANDING OPTIONS

BENEFICIAL HOLDERS	NUMBER OF SUBORDINATE VOTING SHARES UNDER OPTION	EXERCISE PRICE	YEAR OF ISSU
Executive Officers (15 persons in total).....	210,000	$0.925	June 13, 1996
	596,737	$5.00	During 1997
	387,390	$7.50-$8.75	During 1997 a 1998
	472,480	C$18.90-$22.97	During 1999
	546,000	$39.03/C$57.845	December 7, 1
	105,000	$40.06-C$60.00	During 2000

	310,000	$56.1875/C$86.50	December 5, 2
	25,000	C$73.50	March 1, 2001
	100,000	$50.00	April 20, 200
	629,200	$41.89/C$66.06	December 4, 2
	680,000	$13.10-C$29.11	During 2002
Directors who are not Executive Officers.....	166,000	$8.75	During 1998
	80,000	$23.41/C$34.50	July 7, 1999
	80,000	$48.69/C$72.60	July 7, 2000
	80,000	$44.23/C$66.78	July 7, 2001
	40,000	$35.95	October 22, 2
	10,000	$32.40	April 21, 200

BENEFICIAL HOLDERS	NUMBER OF SUBORDINATE VOTING SHARES UNDER OPTION	EXERCISE PRICE	YEAR OF ISSU
All other Celestica Employees (other than IMS and Primetech) (more than 4,000 persons in total).....	3,108,372	$5.00	During 1997
	621,985	$7.50-C$14.05	During 1998
	726,945	$13.69-C$21.45	January 1, 19 March 17, 199
	2,162,075	$39.03/C$57.845	December 7, 1
	577,705	$13.65-C$53.75	During 1999
	1,040,416	$40.06-C$123.65	During 2000
	2,332,290	$56.1875/C$86.50	December 5, 2
	1,223,292	$49.00-C$108.45	During 2001
	5,286,348	$41.89/C$66.06	December 4, 2
	451,976	$13.10-C$70.81	During 2002
	2,713,228	$18.66/C$29.11	December 3, 2
	48,150	$11.76-C$18.12	January 1, 20 February 28,
IMS Employees(2)(3).....	509,434	$0.925-$13.31	December 30,
Primetech Employees(4).....	31,793	C$47.73	June 29, 1998
	58,821	C$65.91	July 14, 1999
	93,500	C$97.73-C$111.36	February 15, to June 15, 2
	31,735	C$45.45-C$67.05	January 10, 2 to March 16,

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(1) Except for 157,035 options which expire on November 4, 2005.

(2) Represents options outstanding under certain stock option plans that were assumed by Celestica on December 30, 1998.

(3) The original exercise price for these options was based on the NASDAQ market price of IMS common stock at the date of issuance.

(4) Represents options outstanding under certain stock option plans that were assumed by Celestica on August 3, 2001.

Our compensation philosophy is predicated on the belief that broadly-based employee participation in share ownership is critical to maintain a common entrepreneurial culture and motivation throughout our operational units, and across functional and geographic boundaries. Accordingly, prior to the completion of our initial public offering, we established the Long-Term Incentive Plan and the Employee Share Ownership Plan.

LONG-TERM INCENTIVE PLAN

Under the Long-Term Incentive Plan (the "Plan"), the board of directors of Celestica may in its discretion grant from time to time stock options, performance shares, performance share units and stock appreciation rights ("SARs") to directors, permanent employees and consultants ("eligible participants") of Celestica, our subsidiaries and other companies or partnerships in which Celestica has a significant investment ("affiliated entities").

Under the Plan, up to 29,000,000 subordinate voting shares of Celestica may be issued from treasury. The number of subordinate voting shares which may be issued from treasury under the Plan to directors is limited to 2,000,000. In addition, Celestica may satisfy obligations under the Plan by acquiring subordinate voting shares in the market. The Plan limits the number of subordinate voting shares which may be reserved for issuance to insiders or any one participant pursuant to options or rights granted pursuant to the Plan, together with subordinate voting shares reserved for issuance under any other employee-related plan of Celestica or options for services granted by Celestica, to 10% and 5%, respectively, of the aggregate issued and outstanding subordinate voting shares and multiple voting shares of Celestica.

The exercise price for any stock option issued under the Plan will not be less than the market price of the subordinate voting shares on the day preceding the date of grant, except that options to acquire subordinate voting shares were issued to directors and an officer substantially concurrently with the completion of the initial public offering with an exercise price equal to the initial public offering price ($8.75). Options issued under the Plan may be exercised during a period determined under the Plan, which may not exceed ten years. The Plan also provides that, unless otherwise determined by the board of directors, options will terminate within specified time periods following the termination of employment of an eligible participant with Celestica or our affiliated entities. The exercise of options may be subject to vesting conditions, including specific time schedules for vesting and performance-based conditions such as share price and financial results. The grant to, or exercise of options by, an eligible participant may also be subject to certain share ownership requirements.

Under the Plan, eligible participants may be granted SARs, a right to receive a cash amount equal to the difference between the market price of the subordinate voting shares at the time of the grant and the market price of such shares at the time of exercise of the SAR. Such amounts may also be payable by the issuance of subordinate voting shares. SARs may be granted under the Plan on a one-for-one or other basis in tandem with option grants, in which case it may be a term of the option and the SAR that the exercise of one results in the cancellation of the other. The exercise of SARs may also be subject to

conditions similar to those which may be imposed on the exercise of stock options.

Upon the issuance of performance units, eligible participants will be entitled to receive grants of subordinate voting shares, with such shares to be issued at the then market price of subordinate voting shares. The issue of such shares may be subject to vesting requirements similar to those described above with respect to the exercisability of options and SARs, including such time or performance-based conditions as may be determined by the board of directors in its discretion. The number of subordinate voting shares which may be issued from the treasury of Celestica under the performance unit program is limited to 2,000,000 and the number of subordinate voting shares which may be issued pursuant to the performance unit program to any one person shall not exceed 1% of the aggregate issued and outstanding subordinate voting shares and multiple voting shares of Celestica.

The interests of any participant under the Plan or in any option, rights or performance unit shall not be transferable by him or her except to a spouse or a personal holding company or family trust controlled by the participant, the shareholders or beneficiaries of which, as the case may be, are any combination of the participant, the participant's spouse, the participant's minor children and the participant's minor grandchildren, subject to applicable stock exchange rules.

The Plan, or the terms of any option, SAR or performance unit granted thereunder, can be amended by the board of directors, subject to obtaining any required regulatory approvals and participant and shareholder approval where so required. Participation in the Plan by eligible participants is not a condition of employment of an eligible participant. Celestica may appoint a trustee or administrator to perform certain functions under the Plan and the board of directors may delegate its rights and duties under the Plan to a committee of the board of directors or one or more specified officers.

EMPLOYEE SHARE OWNERSHIP PLAN

The purpose of the Employee Share Ownership Plan ("ESOP") is to enable eligible employees and directors ("Eligible Participants") of Celestica to acquire subordinate voting shares, so as to encourage continued employee interest in the operation, growth and development of Celestica, as well as to provide an additional investment opportunity to employees and directors. The ESOP enables Eligible Participants to acquire subordinate voting shares from shares acquired by an administrator in the market. Under the ESOP, an Eligible Participant who is an employee may elect to contribute an amount by deduction from each regular payroll, representing no more than 10% of his or her compensation. A participant who is a director may elect to designate all or a portion of his or her cash retainer fees, meeting fees, committee or similar fees as a contribution under the ESOP. Celestica will contribute 25% of the amount of the contributions of employees, up to a maximum total for each contribution of 1% of the employee's compensation for the relevant payroll period. Unless otherwise determined by Celestica, no Celestica contribution shall be made for contributions by directors. The ESOP provides for vesting conditions relating to shares acquired under the ESOP using Celestica

contributions. Under the ESOP, following each payroll period, an administrator acquires in the market subordinate voting shares for the purposes of satisfying purchases by Eligible Participants under the ESOP, using funds contributed by employees and Celestica. The ESOP also provides that participation in the Plan by Eligible Participants is not a condition of employment of an Eligible Participant.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. MAJOR SHAREHOLDERS

The following table sets forth certain information concerning the direct and beneficial ownership of the shares of Celestica at February 28, 2003 by each person known to Celestica to own beneficially, directly or indirectly, 5% or more of the subordinate voting shares or the multiple voting shares. In this table, multiple voting shares are referred to as "MVS" and subordinate voting shares are referred to as "SVS."

NAME OF BENEFICIAL OWNER(1)	TYPE OF OWNERSHIP	NUMBER OF SHARES		PERCENTAGE OF CLASS	PER E
Onex Corporation(2)(3)...	Direct and Indirect	39,065,950	MVS	100.0%	
		3,483,238	SVS	1.8%	
Gerald W. Schwartz(2)(4)...	Direct and Indirect	39,065,950	MVS	100.0%	
Toronto, Ontario...		3,671,982	SVS	1.9%	
Total percentage of all equity shares and total percentage of voting power.....					

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* Less than 1%.

(1) As used in this table, "beneficial ownership" means sole or shared power to vote or direct the voting of the security, or the sole or shared investment power with respect to a security (I.E., the power to dispose, or direct a disposition, of a security). A person is deemed at any date to have "beneficial ownership" of any security that such person has a right to acquire within 60 days of such date. More than one person may be deemed to have beneficial ownership of the same securities.

(2) The address of such shareholders is: c/o Onex Corporation, 161 Bay Street, P.O. Box 700, Toronto, Ontario, Canada M5J 2S1.

(3) Includes 11,635,958 multiple voting shares held by wholly-owned subsidiaries of Onex, 1,540,734 subordinate voting shares held in trust for Celestica Employee Nominee Corporation as agent for and on behalf of certain executives and employees of Celestica pursuant to certain of Celestica's employee share purchase and option plans, 33,754 subordinate voting shares representing an undivided interest of approximately 10.2% in 330,872 subordinate voting shares, and 280,376 subordinate voting shares directly or indirectly held by certain officers of Onex which Onex has the right to vote.

Of these shares, 9,214,320 subordinate voting shares may be delivered, at the issuer's option, upon the exercise or redemption, or at maturity or acceleration, of exchangeable debentures due 2025 issued by certain subsidiaries of Onex and 1,757,467 subordinate voting shares may be delivered, at the option of O