MANAGEMENT'S DISCUSSION AND ANALYSIS
of financial condition and results of operations

The following discussion of the financial condition and results of operations of the Company should be read in conjunction with the Consolidated Financial Statements.

Certain statements contained in the following Management's Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this Annual Report, 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. Among the key factors that could cause such differences are: the level of overall growth in the electronics manufacturing services (EMS) industry; lower-than-expected customer demand; component constraints; variability of operating results among periods; dependence on the computer and communications industries; dependence on a limited number of customers; and the ability to manage expansion, consolidation and the integration of acquired businesses. These and other factors are discussed in the Company's filings with SEDAR and the U.S. Securities and Exchange Commission.

GENERAL

Celestica is a leading provider of electronics manufacturing services to OEMs worldwide and is the third-largest EMS provider in the world with 2000 revenue of $9.8 billion. Celestica provides a wide variety of products and services to its customers, including the high-volume manufacture of complex PCAs 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.

At January 30, 2001, Celestica operated 34 facilities in 12 countries. During 1998, Celestica operated 18 facilities across North America and Europe. The acquisition of IMS in December 1998 provided the Company with an immediate and major presence in Asia, increasing the number of facilities to 23. Seven facilities were added in 1999 through five acquisitions and two greenfield establishments. In 2000, seven facilities were added through four acquisitions and one greenfield, and three smaller facilities were consolidated.

In 1998 and 1999, Celestica completed three equity offerings, including its initial public offering, issuing a total of 81.9 million subordinate voting shares for net proceeds (after tax) of $1.1 billion. The net proceeds from the initial public offering were used to prepay a significant portion of Celestica's debt. The net proceeds of the subsequent offerings were used to fund organic and acquisition-related growth. In March 2000, Celestica issued 16.6 million subordinate voting shares for net proceeds (after tax) of $740.1 million, which provided Celestica with additional flexibility to support its growth strategy. In August 2000, Celestica completed an offering of 20-year Liquid Yield Option™ Notes, or LYONs, for net proceeds (after tax) of $850.4 million. The LYONs are recorded as an equity instrument pursuant to Canadian GAAP. See "Convertible Debt." The Company's net debt to capitalization ratio decreased from 57% at July 1998 to negative 28% at December 31, 2000.

In December 1999, the Company completed a two-for-one stock split of the subordinate voting and multiple voting shares by way of a stock dividend. All historical share and per share information has been restated to reflect the effects of this stock split on a retroactive basis.

Celestica prepares its financial statements in accordance with accounting principles which are generally accepted in Canada with a reconciliation to accounting principles generally accepted in the United States, as disclosed in Note 24 to the Consolidated Financial Statements.

ACQUISITIONS

A significant portion of Celestica's growth has been generated by the strengthening of its customer relationships and increases in the breadth of its service offerings through facility and business acquisitions completed since the beginning of 1997.

During 1997 and 1998, Celestica completed 12 acquisitions and established one greenfield operation. In 1999, Celestica completed five acquisitions and established two greenfield operations. In 2000, Celestica completed four acquisitions.

In April 1999, Celestica acquired Signar SRO from Gossen-Metrawatt GmbH ("Gossen-Metrawatt") in the Czech Republic, which provided Celestica with a strategic presence in a low-cost geography in Central Europe. In connection with the acquisition, Celestica entered into a long-term supply and cooperation agreement with Gossen-Metrawatt. In September 1999, Celestica acquired VXI Electronics, Inc. in Milwaukie, Oregon, which enhanced the Company's power systems product and service operations in North America and expanded its customer base. In October 1999, Celestica acquired certain assets related to Hewlett-Packard's Healthcare Solutions Group's printed circuit board assembly operations in Andover, Massachusetts. This acquisition enhanced the Company's presence in the Northeast region of the United States and provided further product diversification into the medical equipment market segment. In December 1999, Celestica acquired EPS Wireless, Inc. in Dallas, Texas. Also in December 1999, Celestica acquired certain assets of Fujitsu-ICL's repair business in Dallas, Texas. These acquisitions enhanced the Company's repair capabilities in North America and diversified its relationships with its customers. The aggregate purchase price paid by the Company for acquisitions in 1999 was $65.1 million. In June 1999, Celestica established greenfield operations in Brazil and Malaysia.

In February and May, 2000, the Company acquired certain assets from the Enterprise Systems Group and Microelectronics Division of IBM in Rochester, Minnesota and Vimercate and Santa Palomba, Italy, respectively, for a total purchase price of $470.0 million. The purchase price, including capital assets, working capital and intangible assets, was financed with cash on hand. The Company signed two three-year strategic supply agreements with IBM to provide a complete range of electronics manufacturing services, with estimated annual revenue of approximately $1.5 billion. The Rochester, Minnesota operation provides printed circuit board assembly and test services. The Vimercate operation provides printed circuit board assembly services and the Santa Palomba operation provides system assembly services. Approximately 1,800 employees joined Celestica.

In June 2000, Celestica acquired NDB Industrial Ltda., NEC Corporation's wholly-owned manufacturing subsidiary in Brazil. The Company signed a five-year supply agreement to manufacture NEC communications network equipment for the Brazilian market, with estimated revenue of approximately $1.2 billion over the five-year term of the agreement. Approximately 680 employees joined Celestica. This acquisition enhanced the Company's presence in South America and put Celestica in a leadership position with communications and Internet infrastructure customers. In August 2000, the Company acquired Bull Electronics Inc., the North American contract manufacturing operation of Groupe Bull of France. The operations, which are located in Lowell, Massachusetts, have enhanced the Company's service offerings in the New England area. The Company has moved its printed circuit board assembly operation from Andover into this Lowell facility, resulting in lower infrastructure costs. In November 2000, Celestica acquired NEC Technologies (UK) Ltd., in Telford, UK, which enhanced the Company's wireless communications capacity in Europe. The aggregate price for these three acquisitions in 2000 was $169.8 million. In 2000, Celestica established a greenfield operation in Singapore.

Celestica's 21 acquisitions and the four greenfield operations completed through January 30, 2001 had purchase prices, or initial investment costs, in the case of greenfield operations, ranging from $2.5 million to $470.0 million, totalling $1,203.7 million. Celestica continues to examine numerous acquisition opportunities in order to:

- create strategic relationships with new customers and diversify end-product programs with existing customers;
- expand its capacity in selected geographic regions to take advantage of existing infrastructure or low cost manufacturing;
- diversify its customer base to serve a wide variety of end-markets with increasing emphasis on the communications sector;
- broaden its product and service offerings; and
- optimize its global positioning.

In December 2000, the Company announced that it had entered into agreements with Motorola Inc. to purchase certain assets in Dublin, Ireland and Mt. Pleasant, Iowa. These agreements are expected to close in the first quarter of 2001. See "Recent Developments."

Consistent with its past practices and as a normal course of business, Celestica is 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 the computer and communication 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 its current discussions and actively pursue other acquisition opportunities.

RESULTS OF OPERATIONS

Celestica's revenue and margins can vary from period to period as a result of the level of business volumes, seasonality of demand, component supply availability, and the timing of acquisitions. There is no certainty that the historical pace of Celestica's acquisitions will continue in the future.

Celestica's contracts with its key customers generally provide a framework for its overall relationship with the customer. 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 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.

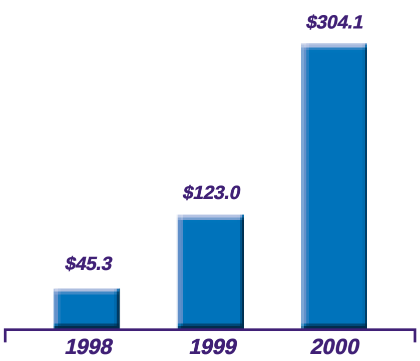
Celestica's annual and quarterly operating results are primarily affected by the level and timing of customer orders, fluctuations in materials costs, and relative mix of value add products and services. The level and timing of a customer's orders will vary due to the customer's attempt to balance its inventory, changes in its manufacturing strategy and variation in demand for its products. Celestica's annual and quarterly operating results are also affected by capacity utilization and other factors, including price competition, manufacturing effectiveness and efficiency, the degree of automation used in the assembly process, the ability to manage inventory and capital assets effectively, the timing of expenditures in anticipation of increased sales, the timing of acquisitions and related integration costs, customer product delivery requirements and shortages of components or labour. Historically, Celestica has experienced some seasonal variation in revenue, with revenue typically being highest in the fourth quarter and lowest in the first quarter.

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

	Year Ended December 31, 1998	1999	2000
Revenue	100.0%	100.0%	**100.0%**
Cost of sales	92.9	92.8	**92.9**
Gross profit	7.1	7.2	**7.1**
Selling, general and administrative expenses	4.0	3.8	**3.3**
Amortization of intangible assets	1.4	1.0	**1.0**
Integration costs related to acquisitions	0.3	0.2	**0.2**
Other charges	2.0	0.0	**0.0**
Operating income (loss)	(0.6)	2.2	**2.6**
Interest expense (income), net	1.0	0.2	**(0.2)**
Earnings (loss) before income taxes	(1.6)	2.0	**2.8**
Income taxes (recovery)	(0.1)	0.7	**0.7**
Net earnings (loss)	(1.5)%	1.3%	**2.1%**

Adjusted Net Earnings Increases

(in millions)



Adjusted net earnings

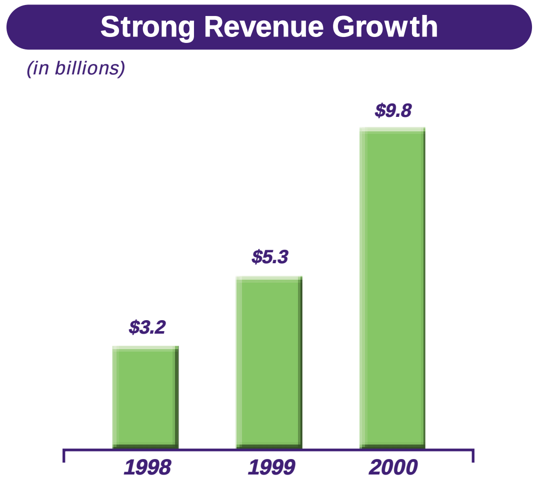
As a result of the significant number of acquisitions made by Celestica over the past four years, management of Celestica uses adjusted net earnings as a measure of operating performance on an enterprise-wide basis. Adjusted net earnings exclude the effects of acquisition-related charges (most significantly, amortization of intangible assets and integration costs related to acquisitions), other charges (the write-down of intellectual property and goodwill and the write-off of deferred financing costs and debt redemption fees) and the related income tax effect of these adjustments. Adjusted net earnings is not a measure of performance under Canadian GAAP or U.S. GAAP. Adjusted net earnings should not be considered in isolation or as a substitute for net earnings prepared in accordance with Canadian GAAP or U.S. GAAP or as a measure of operating performance or profitability. The following table reconciles net earnings (loss) to adjusted net earnings:

	Year Ended December 31, (in millions) 1998	1999	2000
Net earnings (loss)	$ (48.5)	$ 68.4	**$ 206.7**
Amortization of intangible assets	45.4	55.6	**88.9**
Integration costs related to acquisitions	8.1	9.6	**16.1**
Other charges	64.7	–	**–**
Income tax effect of above	(24.4)	(10.6)	**(7.6)**
Adjusted net earnings	$ 45.3	$ 123.0	**$ 304.1**
As a percentage of revenue	1.4%	2.3%	**3.1%**

Revenue

Revenue increased $4,454.9 million, or 84.1%, to $9,752.1 million in 2000 from $5,297.2 million in 1999. This increase resulted from growth achieved both organically and through strategic acquisitions. This growth was driven primarily by customers in the communications and server industries. The Company defines organic revenue as revenue which excludes business from operations acquired in the preceding 12 months. Organic revenue growth in 2000 was 49.8% and represented approximately 59.2% of the total year-over-year growth. Organic growth came from growth in existing business and new customers across all geographic segments. The IBM acquisition accounted for the majority of the acquisition growth in 2000. Revenue from the Americas operations grew $2,684.8 million, or 74.8%, to $6,272.4 million in 2000 from $3,587.6 million in 1999. Revenue from European operations grew $1,714.7 million, or 154.7%, to $2,823.3 million in 2000 from $1,108.6 million in 1999. The Italian facilities generated over half of Europe's increase from the prior year, with the remainder due to an overall increase in Europe's base business. Revenue from Asian operations increased $431.7 million, or 60.8%, to $1,141.9 million in 2000 from $710.2 million in 1999. Inter-segment revenue in 2000 was $485.5 million, compared to $109.1 million in 1999. Revenue from customers in the communications industry in 2000 increased to 31% of revenue, compared to 25% of revenue in 1999. This increase is consistent with the Company's strategy to increase the portion of its revenue from customers in the communications industry. Revenue from customers in the server-related business in 2000 increased to 33% of revenue, compared to 25% of revenue in 1999, mainly as a result of the IBM acquisition in 2000.

Revenue increased $2,048.0 million, or 63.0%, to $5,297.2 million in 1999 from $3,249.2 million in 1998. This increase resulted from growth achieved both organically and through strategic acquisitions. Organic revenue growth in 1999 was 37.9% and represented 60.2% of the total year-to-year growth. The organic growth resulted from new program wins with existing and new customers across the Canadian, U.S. and European geographic segments. Revenue from Asian operations was not considered part of the organic growth since the operations were acquired at the end of 1998. Revenue from the Americas operations grew $1,087.7 million, or 43.5%, to $3,587.6 million in 1999 from $2,499.9 million in 1998, substantially all through organic growth with new program wins from both existing and new customers. Revenue from European operations grew $359.3 million, or 48.0%, to $1,108.6 million in 1999 from $749.3 million in 1998. Celestica Asia (formerly IMS) contributed $710.2 million in revenue in 1999 after acquisition on December 30, 1998. Inter-segment revenue in 1999 was $109.1 million compared to no inter-segment revenue in 1998. Acquisitions completed in 1999 together with the IMS acquisition contributed $816.4 million of revenue in 1999 with the majority of revenue being from Asian (formerly IMS) operations. Revenue from customers in the communications industry increased to 25% of revenue in 1999 compared to 16% of revenue in 1998.



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

	1998	1999	2000
Sun Microsystems	y	y	y
IBM	y		y
Hewlett-Packard	y	y	
Cisco Systems		y	

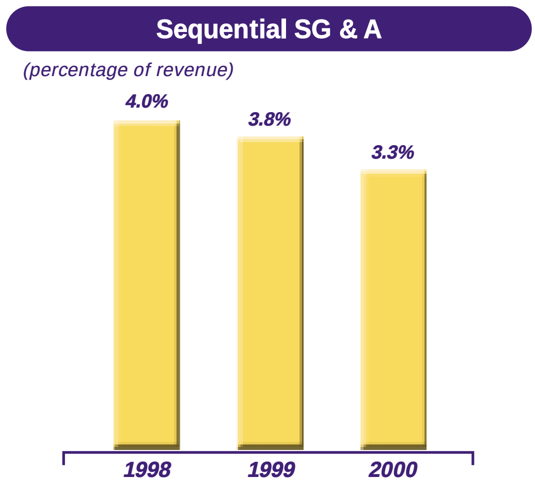
Celestica's top five customers represented in the aggregate 68.5% of total revenue in 2000 compared to 67.6% in 1999 and 71.8% in 1998. The Company is dependent upon continued revenue from its top five customers. There can be no guarantee that revenue from these or any other customers will not increase or decrease as a percentage of consolidated 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.

Gross profit

Gross profit increased $305.5 million, or 79.9%, to $688.0 million in 2000 from $382.5 million in 1999. Gross margin decreased to 7.1% in 2000 from 7.2% in 1999. Gross margin has decreased as a result of a change in product mix and start-up costs for new programs, particularly in Mexico.

Gross profit increased $152.0 million, or 65.9%, to $382.5 million in 1999 from $230.5 million in 1998. Gross margin increased to 7.2% in 1999 from 7.1% in 1998. The improvement in gross profit and gross margin was due to improved cost management, supply-chain initiatives and increased facility utilization levels in Canada, the United States and Europe, offset by lower Asian margins, greenfield start-up operations in Brazil, Malaysia and Mexico and new product introductions.

For the foreseeable future, the Company's gross margin is expected to depend primarily on product mix, production efficiencies, utilization of manufacturing capacity, start-up activity, new product introductions, and pricing within the electronics industry. Over time, gross margins at individual sites and for the Company as a whole are expected to fluctuate. Changes in product mix, additional costs associated with new product introductions and price erosion within the electronics industry could adversely affect the Company's gross margin. Also, the availability of 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 expenses increased $123.9 million, or 61.3%, in 2000 to $326.1 million (3.3% of revenue) from $202.2 million (3.8% of revenue) in 1999. The increase in expenses was a result of increased staffing levels and higher selling, marketing and administrative costs to support sales growth, as well as the impact of expenses incurred by operations acquired during 1999 and 2000. Selling, general and administrative expenses increased at a slower rate than revenue in 2000.

Selling, general and administrative expenses increased $71.7 million, or 54.9%, to $202.2 million (3.8% of revenue) in 1999 from $130.5 million (4.0% of revenue) in 1998. The increase in expenses was a result of increased staffing levels and higher selling, marketing and administrative costs to support the sales growth of the Company, as well as the impact of expenses incurred by operations acquired during 1998 and 1999.

Research and development costs remained flat at $19.5 million (0.2% of revenue) in 2000 compared to $19.7 million (0.4% of revenue) in 1999 and $19.8 million (0.6% of revenue) in 1998.

Intangible assets and amortization

Amortization of intangible assets increased $33.3 million, or 59.9%, to $88.9 million in 2000 from $55.6 million in 1999. This increase is attributable to the intangible assets arising from the 1999 and 2000 acquisitions, with the largest portion relating to the IBM and NEC acquisitions. The excess of the purchase price paid over the fair value of tangible assets acquired in the five acquisitions completed in 1999 and the four acquisitions completed in 2000 totalled $348.9 million and has been allocated to goodwill, intellectual property and other intangible assets.

Amortization of intangible assets increased $10.2 million, or 22.5%, to $55.6 million in 1999 from $45.4 million in 1998. This increase is attributable to the intangible assets arising from the 1998 and 1999 acquisitions, with the largest portion relating to the intangible assets arising from the IMS acquisition.

At December 31, 2000, intangible assets represented 9.7% of Celestica's total assets compared to 13.8% at December 31, 1999.

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 $16.1 million in 2000 compared to $9.6 million in 1999 and $8.1 million in 1998. The integration costs incurred in 2000 relate primarily to the IBM and NEC acquisitions.

Integration costs vary from period to period due to the timing of acquisitions and related integration activities. Celestica expects to incur additional integration costs in 2001 as it completes the integration of its 2000 acquisitions. Celestica will incur future additional integration costs as the Company continues to make acquisitions as part of its growth strategy.

Other charges

Other charges are non-recurring items or items that are unusual in nature. Celestica did not incur any other charges in 1999 or 2000.

Other charges in 1998 totalled $64.7 million and is comprised of a write-down of the carrying value of intellectual property and goodwill amounting to $41.8 million, the write-off of deferred financing costs and debt redemption fees of $17.8 million and other charges of $5.1 million.

Interest income, net

Interest income, net of interest expense, in 2000 amounted to $19.0 million. The Company incurred net interest expense of $10.7 and $32.2 million in 1999 and 1998, respectively. Cash balances were higher in 2000 compared to 1999 due to the timing and size of the public offerings. In 2000, the Company earned interest income on its cash balance which more than offset the interest expense incurred on the Company's Senior Subordinated Notes. In 1999, the Company earned less interest income to offset against the higher interest expense. In 1998, the Company incurred higher interest expense due to higher debt levels. Debt was used to finance acquisitions in the first half of 1998 and the growth in operations. Debt levels for the second half of 1998 were lower due to proceeds from the initial public offering in July 1998.

Income taxes

Income tax expense in 2000 was $69.2 million, reflecting an effective tax rate of 25%. This is compared to an income tax expense of $36.0 million in 1999, or an effective tax rate of 34.5%, and a net income tax recovery of $2.0 million in 1998, which arose on recognizing the tax benefit of net operating losses in 1998. Commencing in the second half of 1999, the Company's effective tax rate decreased from 39% to 32%. In the second quarter of 2000, the effective tax rate decreased further to 24%. Celestica believes this tax rate is sustainable for the foreseeable future. The decrease in the Company's effective tax rates is attributable to the mix and volume of business in lower tax jurisdictions within Europe and Asia. These lower tax rates include special tax holidays or similar tax incentives that Celestica has negotiated with the respective tax authorities.

Celestica has recognized a net deferred tax asset at December 31, 2000 of $83.5 million ($45.4 million at December 31, 1999), which relates to the recognition of net operating losses and future income tax deductions available to reduce future years' income for income tax purposes. Celestica's current projections demonstrate that it will generate sufficient taxable income (in excess of $265 million) in the future to realize the benefit of these deferred income tax assets in the carry-forward periods. These losses will expire over a 15 year period commencing in 2006.

CONVERTIBLE DEBT

In August 2000, Celestica issued LYONs with a principal amount at maturity of $1,813.6 million, payable August 1, 2020. The Company received gross proceeds of $862.9 million and incurred $12.5 million in underwriting commissions, net of tax of $6.9 million. No interest is payable on the LYONs and the issue price of the LYONs represents a yield to maturity of 3.75%. The LYONs are subordinated in right of payment to all existing and future senior indebtedness of the Company.

The LYONs are convertible at any time at the option of the holder, unless previously redeemed or repurchased, into 5.6748 subordinate voting shares for each $1,000 principal amount at maturity. Holders may require the Company to repurchase all or a portion of their LYONs on August 2, 2005, August 1, 2010 and August 1, 2015 and the Company may redeem the LYONs at any time on or after August 1, 2005 (and, under certain circumstances, before that date). The Company is required to offer to repurchase the LYONs if there is a change in control or a delisting event. Generally, the redemption or repurchase price is equal to the accreted value of the LYONs. The Company may elect to pay the principal amount at maturity of the LYONs, or the repurchase price that is payable in certain circumstances, in cash or subordinate voting shares or any combination thereof.

The Company has recorded the LYONs as an equity instrument pursuant to Canadian GAAP. The LYONs are bifurcated into a principal equity component (representing the present value of the notes) and an option component (representing the value of the conversion features of the notes). The principal equity component is accreted over the 20-year term through periodic charges to retained earnings. Under U.S. GAAP, the LYONs are classified as a long-term liability and, accordingly, the accrued yield on the LYONs during any period (at 3.75% per year) is classified as interest expense for that period.

To calculate basic earnings per share for Canadian GAAP, the accretion of the convertible debt is deducted from net earnings for the period to determine earnings available to shareholders.

LIQUIDITY AND CAPITAL RESOURCES

For the year ended December 31, 2000, Celestica used cash of $85.1 million from operating activities, principally to support higher working capital requirements relating to revenue growth, which was offset by cash generated from operations. Investing activities in 2000 included capital expenditures of $282.8 million and $634.7 million for acquisitions. The acquisitions included IBM's assets in Minnesota and Italy, NDB Industrial Ltda. in Brazil, Bull Electronics Inc. in Massachusetts and NEC Technologies (UK) Ltd. in the UK. In March 2000, Celestica completed an equity offering and issued 16.6 million subordinate voting shares, for gross proceeds of $757.4 million less expenses and underwriting commissions of $26.8 million (pre-tax). In August 2000, Celestica completed the LYONs offering, raising gross proceeds of $862.9 million less underwriting commissions of $19.4 million (pre-tax).

For the year ended December 31, 1999, Celestica's operating activities utilized $94.4 million in cash. Investing activities in 1999 included capital expenditures of $211.8 million and $64.8 million for acquisitions. In 1999, Celestica completed two equity offerings, issuing 34.5 million subordinate voting shares for gross proceeds of $751.6 million less expenses and underwriting commissions of $34.3 million (pre-tax).

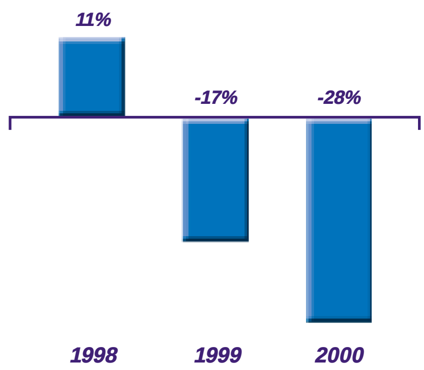
CAPITAL RESOURCES

Celestica has two $250 million global, unsecured, revolving credit facilities totalling $500 million, each provided by a syndicate of lenders. The credit facilities permit Celestica and certain designated subsidiaries to borrow funds directly for general corporate purposes (including acquisitions) at floating rates. The credit facilities are available until April 2003 and July 2003, respectively. 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, 2000.

The only other financial covenant in effect is a debt incurrence covenant contained in Celestica's Senior Subordinated Notes due 2006. This covenant is based on Celestica's fixed charge coverage ratio, as defined in the indenture governing the Senior Subordinated Notes.

Net Debt to Capitalization Strengthens

(percentage)



Celestica was in compliance with all debt covenants as at December 31, 2000.

During the year, Celestica's public credit ratings were upgraded by both Standard and Poors and by Moody's Investors Service. Standard and Poor's senior corporate credit rating for Celestica is BB+ with a stable outlook. Moody's senior implied rating for Celestica is Ba1, also with a stable outlook.

Celestica believes that cash flow from operating activities, together with cash on hand and borrowings available under its global, unsecured, revolving 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 2001 to be approximately $300 million to $350 million. At December 31, 2000, Celestica had committed $56 million in capital expenditures. In addition, Celestica regularly reviews acquisition opportunities, and may therefore require additional debt or equity financing.

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 primarily denominated in Canadian dollars, British pounds sterling, Euros and Mexican pesos. As a result, Celestica may experience transaction and translation gains or losses because of currency fluctuations. At December 31, 2000, Celestica had forward foreign exchange contracts covering various currencies in an aggregate notional amount of $653 million with expiry dates up to May 2002. The fair value of these contracts at December 31, 2000 was an unrealized gain of $7.5 million. Celestica's current hedging activity is designed to reduce the variability of its foreign currency costs and involves entering into contracts to sell U.S. dollars to purchase Canadian dollars, British pounds sterling, Mexican pesos and Euros at future dates. In general, these contracts extend for periods of less than 18 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.

BACKLOG

Although Celestica obtains firm purchase orders from its customers, OEM customers typically do not make firm orders for delivery of products more than 30 to 90 days in advance. Celestica does 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 cancelled.

RECENT DEVELOPMENTS

In December 2000, the Company announced that it had entered into agreements providing for a strategic EMS alliance with Motorola, Inc., of Schaumburg, Illinois. Celestica will acquire Motorola's manufacturing assets in Dublin, Ireland and Mt. Pleasant, Iowa for a purchase price of approximately $70 million. Celestica has also entered into a three-year supply agreement with an estimated revenue of more than $1 billion over the three-year period. Approximately 1,200 employees will join Celestica. The acquisition is expected to close in the first quarter of 2001.

EURO CONVERSION

As of January 1, 2001, 12 of the 15 member countries of the European Union (the participating countries) had established fixed conversion rates between their existing sovereign currencies and the Euro. For three years after the introduction of the Euro, the participating countries can perform financial transactions in either the Euro or their original local currencies. This will result in a fixed exchange rate among the participating countries, whereas the Euro (and the participating countries' currencies in tandem) will continue to float freely against the U.S. dollar and currencies of other non-participating countries.

Management continuously monitors and evaluates the effects of the Euro conversion on the Company. Celestica does not believe that significant modifications of its information technology systems are needed in order to handle Euro transactions and reporting. The Company has modified its hedging policies to take the Euro conversion into account. While the Company currently believes that the effects of the conversion do not and will not have a material adverse effect on the Company's business and operations, there can be no assurances that such conversion will not have a material adverse effect on the Company's results of operations and financial position due to competitive and other factors that may be affected by the conversion and that cannot be predicted by the Company.

RECENT ACCOUNTING DEVELOPMENTS

The SEC issued Staff Accounting Bulletins (SAB) 101 and 101A in December 1999 and 101B in June 2000, "Revenue Recognition," which provided guidelines in applying generally accepted accounting principles to revenue recognition in financial statements and was to be implemented as of the fourth quarter of 2000. The Company believes that its revenue recognition practices are consistent with these guidelines.

The Financial Accounting Standards Board (FASB) has issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" and SFAS No. 138 which amends SFAS No. 133. SFAS No. 133 establishes methods of accounting for derivative financial instruments and hedging activities related to those instruments as well as other hedging activities. The standard requires that all derivatives be recorded on the balance sheet at fair value. The Company will implement SFAS No. 133 for its first quarter ended March 31, 2001 for purposes of the U.S. GAAP reconciliation. In accordance with the new standard, the Company will account for its existing foreign currency contracts as cash flow hedges. Accordingly, on January 1, 2001, the Company recorded an asset in the amount of $7,498 and a corresponding credit to other comprehensive income as a cumulative-effect type adjustment to reflect the initial mark-to-market on the foreign currency contracts. The Company expects to release $6,477 of the gain to earnings in the next 12 months as the related hedged items are recognized in earnings.