

**FORM 6-K**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Report of Foreign Private Issuer**  
**Pursuant to Rule 13a-16 or 15d-16 of**  
**the Securities Exchange Act of 1934**  
**For the month of October 2008**

**001-14832**

(Commission File Number)

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**CELESTICA INC.**

(Translation of registrant's name into English)

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**12 Concorde Place, 5th Floor**

**Toronto, Ontario**

**Canada M3C 3R8**

**(416) 448-5800**

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F

Form 40-F

Indicate by check mark whether the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark whether the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether by furnishing the information contained in this Form, is the registrant also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes

No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

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**Celestica Inc.**

**Form 6-K**

**Month of October 2008**

The following information filed with this Form 6-K is incorporated by reference in Celestica's registration statements, the prospectuses included therein, and any registration statement subsequently filed by Celestica with the Securities and Exchange Commission:

- Management's Discussion and Analysis of Financial Conditions and Results of Operations for the Third Quarter 2008, the text of which is attached hereto as Exhibit 99.1 and is incorporated herein by reference.
- Press Release, dated October 23, 2008, the text of which is attached hereto as Exhibit 99.2 and is incorporated herein by reference, including Celestica Inc.'s third quarter 2008 consolidated financial information.
- Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a), the text of which is attached hereto as Exhibit 99.3 but is not incorporated herein by reference.
- Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a), the text of which is attached hereto as Exhibit 99.4 but is not incorporated herein by reference.
- Certification pursuant to Rule 13a-14(b), as required by 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002., the text of which is attached hereto as exhibit 99.5 but is not incorporated herein by reference.

Exhibits

99.1 — Management's Discussion and Analysis for the Third Quarter 2008

99.2 — Press Release, dated October 23, 2008

99.3 — Certification of Chief Executive Officer

99.4 — Certification of Chief Financial Officer

99.5 — Certification required by Section 906 of the Sarbanes-Oxley Act of 2002

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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CELESTICA INC.

Date: October 29, 2008

BY: /s/ Elizabeth L. DelBianco

Elizabeth L. DelBianco

Chief Legal Officer

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
Third Quarter 2008**

*The following discussion of the financial condition and results of operations should be read in conjunction with the 2007 Consolidated Financial Statements and the September 30, 2008 Interim Consolidated Financial Statements, which we prepared in accordance with Canadian GAAP. A reconciliation to United States GAAP is disclosed in note 20 to the 2007 Consolidated Financial Statements. All dollar amounts are expressed in U.S. dollars. The information in this discussion is provided as of October 17, 2008.*

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

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

## **Overview**

*What Celestica does:*

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

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

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

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

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

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

*Overview of business environment:*

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

The EMS industry is highly competitive with multiple global EMS providers competing for the same customers and programs. Although the industry is characterized by significant revenue opportunities, operating margins are comparatively low. Volatility in energy prices may affect raw materials and

transportation costs for the EMS industry, which could impact operating margins. Asset utilization is an important factor affecting operating margins. The amount of available manufacturing capacity and the location of that capacity are vital considerations for EMS providers. The EMS industry is also working capital intensive. As a result, return-on-invested-capital, which encompasses operating margins, inventory management, accounts receivable and accounts payable, is one of the most important metrics for measuring an EMS provider's financial success.

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

Historically, significant economic uncertainty has had a negative impact on our customers' demand. Recent global economic conditions and uncertainty, such as the current global credit crisis and volatile capital markets, may have a negative impact on our financial results over the next several quarters and beyond.

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## Summary of Q3 2008

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

	Three months ended September 30		Nine months ended September 30	
	2007	2008	2007	2008
Revenue	\$ 2,080.6	\$ 2,030.8	\$ 5,859.9	\$ 5,742.8
Gross profit	121.2	150.0	290.4	390.5
Selling, general and administrative expenses (SG&A)	74.1	85.9	219.5	223.8
Net earnings (loss)	51.5	32.1	(2.0)	101.7
Basic earnings (loss) per share	\$ 0.22	\$ 0.14	\$ (0.01)	\$ 0.44
Diluted earnings (loss) per share	\$ 0.22	\$ 0.14	\$ (0.01)	\$ 0.44
			As at December 31 2007	As at September 30 2008
Cash		\$ 1,116.7	\$ 1,258.2	
Total assets		4,470.5	4,715.0	
Total long-term financial liabilities		758.5	761.5	

Revenue for the third quarter of 2008 of \$2.0 billion decreased 2% from \$2.1 billion for the same period in 2007. This year-over-year decrease in revenue was due to lower volumes, primarily from our servers end market, and the impact of customer disengagements in 2007, primarily in the enterprise communications end market, which more than offset the increase in revenue primarily from customers in our consumer and industrial end markets. Year-over-year revenue decreased 3% as a result of these customer disengagements.

Our supply chain and manufacturing network in Europe is comprised of facilities in the Czech Republic, Spain, Ireland and Romania which have been underutilized for many years. Europe's operating losses have improved in each quarter of 2008 as we continued to attract new customers to these facilities. Europe reported break even results for the third quarter of 2008, one quarter ahead of our expectations.

Gross profit for the third quarter of 2008 increased approximately 25% from the third quarter of 2007 primarily due to improvements in Mexico and Europe. We also continue to benefit from cost reductions, restructuring actions, the impact of renegotiating or exiting unprofitable accounts and the streamlining and simplifying of processes throughout the company. Gross margin as a percentage of revenue was 7.4% in the third quarter of 2008 compared to 5.8% for the same period in 2007.

SG&A expenses for the third quarter of 2008 as a percentage of revenue were 4.2% compared to 3.6% of revenue for the same period in 2007. The increase in percentage primarily reflects the impact of foreign exchange losses recorded in the third quarter of 2008. In addition, our variable compensation costs were higher this quarter compared to the same quarter in the prior year, but were offset by lower IT consulting and support costs.

During each quarter, we incur unrealized foreign exchange gains or losses on the translation of foreign currency denominated asset and liability balances to U.S. dollars and these amounts are included in SG&A. The amount of these gains or losses fluctuate from quarter to quarter and is dependent on the currency markets and the value of our foreign currency denominated asset or liability positions in each period. We also incur realized transactional foreign exchange gains or losses in the normal course of business. During the past five years, these foreign exchange gains or losses have ranged from zero to approximately 0.1% of revenue annually.

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During the third quarter of 2008, we incurred foreign exchange losses on certain foreign currency denominated balances. Although we enter into forward exchange contracts to hedge against our cash flow exposures associated with forecasted transactions in foreign currencies, we have not historically hedged against the translation gains or losses from the foreign currency denominated assets or liabilities on our balance sheet. The volatility in foreign exchange rates, particularly in September 2008 for certain foreign currencies, resulted in foreign exchange losses. Most of the foreign exchange losses were unrealized and resulted from the translation of foreign currency denominated assets and liabilities to U.S. dollars at September 30, 2008. Approximately one-half of these losses resulted from the precipitous devaluation of the Brazilian real compared to the U.S. dollar in September 2008 and a higher net asset position in the Brazilian real at quarter end. The foreign exchange losses as a percentage of revenue were 0.6%, or \$12.2 million, for the third quarter of 2008 and less than 0.1% for the first nine months of 2008.

In January 2008, we announced that we would incur additional restructuring charges of between \$50 million and \$75 million to complete our planned restructuring actions and to further reduce fixed costs and overhead expenses. In the first nine months of 2008, we recorded restructuring charges of \$23.7 million. We expect to record the remainder of the restructuring charges in the fourth quarter of 2008 and into 2009 and to complete these actions during the second half of 2009.

Net earnings for the third quarter of 2008 declined to \$32.1 million from \$51.5 million for the third quarter of 2007. Although operating earnings have improved year-over-year, this improvement in net earnings was offset partially by higher restructuring charges. In addition, net earnings for the third quarter of 2007 included a favorable tax recovery which did not recur in 2008.

*Other performance indicators:*

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

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

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

Cash cycle days for the third quarter of 2008 improved 9 days compared to the third quarter of 2007 primarily as a result of improved inventory management and timing of payments. We continue to focus on improving our inventory turns. In the third quarter of 2008, we achieved inventory turns of 9.1, up from 8.3 turns in the third quarter of 2007. Cash cycle days for the third quarter of 2008 improved by 2 days sequentially primarily reflecting improved inventory turns.

**Critical Accounting Policies and Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant accounting policies and methods used in the preparation of the financial statements are described in note 2 to the 2007 Consolidated Financial Statements. Effective January 1, 2008, we adopted the accounting standards for inventories, financial instruments and capital disclosures, which are summarized in note 2 to the September 30, 2008 Interim Consolidated Financial Statements. We evaluate our estimates and assumptions on a regular basis, based on historical experience and other relevant factors. Actual results could differ materially from these estimates and assumptions. The critical accounting

policies that are impacted by judgments, assumptions and estimates used in the preparation of our financial statements are disclosed in the 2007 MD&A included in our Annual Report on Form 20-F.

**Operating Results**

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

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

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

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

<u>Three months ended</u>		<u>Nine months ended</u>	
<u>September 30</u>		<u>September 30</u>	
<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>

Revenue	100.0%	100.0%	100.0%	100.0%
Cost of sales	94.2	92.6	95.0	93.2
Gross profit	5.8	7.4	5.0	6.8
SG&A	3.6	4.2	3.7	3.9
Amortization of intangible assets	0.2	0.2	0.3	0.2
Other charges	0.1	0.8	0.2	0.4
Interest expense, net of interest income	0.5	0.5	0.7	0.5
Earnings before income taxes	1.4	1.7	0.1	1.8
Income taxes recovery (expense)	1.1	(0.1)	(0.1)	(0.0)
Net earnings	2.5%	1.6%	0.0%	1.8%

*Revenue:*

Revenue for the third quarter of 2008 of \$2.0 billion decreased 2% from \$2.1 billion for the same period in 2007. Revenue decreased 2% to \$5.7 billion in the first nine months of 2008 compared to the same period in 2007. Year-over-year revenue

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decreased for both periods in 2008 due to lower volumes associated with weaker end-market demand, primarily in the servers end market and the impact of customer disengagements in 2007, primarily in the enterprise communications end market, which more than offset the increase in revenue primarily from customers in our consumer and industrial end markets. Revenue decreased 3% for the third quarter of 2008 and 5% for the first nine months of 2008, respectively, as a result of these customer disengagements.

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

	Three months ended September 30		Three months ended June 30 2008
	2007	2008	
Consumer	24%	28%	23%
Enterprise communications	26%	25%	27%
Servers	18%	15%	17%
Telecommunications	16%	14%	15%
Storage	10%	10%	10%
Industrial, aerospace and defense	6%	8%	8%

Revenue from our consumer market increased year-over-year primarily as a result of new business wins from existing customers. Revenue from our consumer segment grew sequentially from the second quarter of 2008 primarily as a result of new business wins and seasonality.

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

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

For the third quarter and first nine months of 2008, no customer represented more than 10% of total revenue. For the third quarter of 2007, one customer, Sun Microsystems, represented more than 10% of total revenue. For the first nine months of 2007, two customers, Cisco Systems and Sun Microsystems, represented more than 10% of total revenue.

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

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

	Three months ended September 30	
	2007	2008
Top 10 customers	62%	62%

We are dependent upon continued revenue from our largest customers. There can be no assurance that revenue from these or any other customers will not decrease in absolute terms or as a percentage of total revenue. Any material decrease in revenue from these or other customers could have a material adverse effect on our results of operations. Recent global economic conditions and uncertainty could adversely affect our customers and negatively impact our financial results.

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We believe our growth depends on increasing sales to existing customers for their current and future product generations. To achieve this, we are focused on offering end-to-end product lifecycle solutions to include design, supply chain management, manufacturing and systems integration, fulfillment and after-market services. We also actively pursue new customers to expand our end-market penetration and diversify our end-market mix. In our industry, customers may cancel contracts and volume levels can be changed or delayed. We cannot assure the timely replacement of delayed, cancelled or reduced orders with

new business. In addition, we cannot assure that any of our current customers will continue to utilize our services, which could have a material adverse impact on our results of operations.

*Gross profit:*

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

	Three months ended September 30		Nine months ended September 30	
	2007	2008	2007	2008
Gross profit (in millions)	\$ 121.2	\$ 150.0	\$ 290.4	\$ 390.5
Gross margin	5.8%	7.4%	5.0%	6.8%

Gross profit for the third quarter and first nine months of 2008 increased approximately 25% and 35%, respectively, from the same periods in 2007 primarily due to improvements in Mexico and Europe. In addition, we continue to benefit from cost reductions, restructuring actions, the impact of renegotiating or exiting unprofitable accounts and the streamlining and simplifying of processes throughout the company. Gross margin as a percentage of revenue has increased sequentially in each quarter of 2007 and 2008 as a result of these improvements.

The nature of our business causes gross margin to fluctuate based on: product volume and mix; production efficiencies; utilization of manufacturing capacity; material and labor costs; manufacturing and transportation costs; start-up and ramp-up activities; new product introductions; cost structures at individual sites; and other factors, including pricing pressures from competitors. In addition, the availability of components is subject to lead time and other constraints that could affect our revenue and margins.

*Selling, general and administrative expenses:*

SG&A expenses increased 16% to \$85.9 million (4.2% of revenue) in the third quarter of 2008 compared to \$74.1 million (3.6% of revenue) for the same period in 2007. The increase in SG&A expenses for the third quarter of 2008 is due primarily to foreign exchange losses. In addition, our variable compensation costs were higher this quarter compared to the same quarter in the prior year, but were offset by lower IT consulting and support costs.

During each quarter, we incur unrealized foreign exchange gains or losses on the translation of foreign currency denominated asset and liability balances to U.S. dollars and these amounts are included in SG&A. The amount of these gains or losses fluctuate from quarter to quarter and is dependent on currency markets and the value of our foreign currency denominated asset or liability positions in each period. We also incur realized transactional foreign exchange gains or losses in the normal course of business. During the past five years, these foreign exchange gains or losses have ranged from zero to approximately 0.1% of revenue annually.

During the third quarter of 2008, we incurred foreign exchange losses on certain foreign currency denominated balances. Although we enter into forward exchange contracts to hedge against our cash flow exposures associated with forecasted transactions in foreign currencies, we have not historically hedged against the translation gains or losses from the foreign currency denominated assets or liabilities on our balance sheet. The volatility in foreign exchange rates, particularly in September 2008 for certain foreign currencies, resulted in foreign exchange losses. Most of the foreign exchange losses are unrealized and resulted from the translation of foreign currency denominated assets and liabilities to U.S. dollars at September 30, 2008. Approximately one-half of these losses resulted from the precipitous devaluation of the Brazilian real

compared to the U.S. dollar in September 2008 and a higher net asset position in the Brazilian real at quarter end. The foreign exchange losses as a percentage of revenue were 0.6%, or \$12.2 million, for the third quarter of 2008.

SG&A expenses for the first nine months of 2008 increased 2% to \$223.8 million (3.9% of revenue) compared to \$219.5 million (3.7% of revenue) for the same period in 2007. The increase in SG&A expenses for the first nine months of 2008 is due primarily to higher variable compensation costs offset partially by lower IT consulting and support costs. The impact of foreign exchange on a year-to-date basis is minimal, as the foreign exchange losses recorded during the third quarter of 2008 have more than offset the foreign exchange gains recognized in the first half of 2008. During the first half of 2008, we recorded approximately \$8 million in foreign exchange gains in Canada and Europe as a result of changes to the Euro, Czech koruna and Canadian dollar compared to the U.S. dollar.

*Other charges:*

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

	Three months ended September 30		Nine months ended September 30	
	2007	2008	2007	2008
2001 to 2004 restructuring	\$ 0.6	\$ 0.5	\$ 1.1	\$ 1.4
2005 to 2009 restructuring	2.1	16.3	12.1	22.3
Total restructuring	\$ 2.7	\$ 16.8	\$ 13.2	\$ 23.7

We have recorded restructuring charges each year since 2001 in an effort to respond to the structural changes in our industry and the challenging economic environment for many technology products. These charges reflect actions that were undertaken primarily in regions with higher-cost structures such as the Americas and Europe, and were largely intended to align our capacity and global manufacturing network to anticipated customer requirements and lower demand levels. Restructuring actions have included reducing our workforce, consolidating facilities and shifting our production from higher- cost geographies to lower-cost geographies.

We have completed the major components of our 2001 to 2004 restructuring plans, except for certain long-term lease and other contractual obligations which we expect to pay out over the remaining lease terms through 2015.

At the end of 2007, we identified additional restructuring actions to drive further operational improvements throughout our manufacturing network. These actions include a reduction in workforce and the closure of certain facilities. We plan to transfer the programs from the facilities we close to our other facilities. We expect our overall utilization and operating efficiency to improve as we complete these restructuring actions. As we finalize the detailed plans of these restructuring actions, we will recognize the related charges. We estimate the additional restructuring charges to be in the range of \$50 million to \$75 million which we expect to record throughout 2008 and 2009. In the first nine months of 2008, we recorded restructuring charges of \$23.7 million.

We expect to complete the balance of our 2005 to 2009 restructuring actions during the second half of 2009. Our lease and other contractual obligations will be paid out over the remaining lease terms through 2010.

To date, we have released approximately 32,800 employees from the business in connection with all of our restructuring activities. Approximately 70% of the employee terminations were in the Americas, 25% in Europe and 5% in Asia. As a result of all our restructuring actions to date, we have closed or downsized over 50 facilities, primarily in the Americas and Europe. All cash outlays have been, and currently foreseeable outlays are expected to be, funded from cash on hand.

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

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

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

	Three months ended September 30		Nine months ended September 30	
	2007	2008	2007	2008
Interest costs on credit facility, 2011 and 2013 Notes	\$ 16.7	\$ 13.2	\$ 50.5	\$ 42.1
Mark-to-market loss (gain)	(2.1)	0.9	(0.7)	0.2
Interest expense on long-term debt	<u>\$ 14.6</u>	<u>\$ 14.1</u>	<u>\$ 49.8</u>	<u>\$ 42.3</u>
Interest income, net of other interest expense	<u>\$ 4.6</u>	<u>\$ 4.3</u>	<u>\$ 8.1</u>	<u>\$ 13.5</u>

Our interest expense primarily includes the interest costs on the 2011 and 2013 Notes. The average interest rate on the 2011 Notes, after reflecting the variable interest swap, was 5.8% and 6.4%, respectively, for the third quarter and first nine months of 2008 (8.4% for the same periods in 2007). The interest rate on the 2013 Notes is fixed at 7.625%.

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

The increase in interest income for the first nine months of 2008 primarily reflects the interest earned on cash balances and lower costs associated with the accounts receivable sales program.

*Income taxes:*

Income tax expense for the third quarter of 2008 was \$2.4 million on earnings before tax of \$34.5 million compared to an income tax recovery of \$21.7 million for the same period in 2007 on earnings before tax of \$29.8 million. Income tax expense for the first nine months of 2008 was \$1.1 million on earnings before tax of \$102.8 million compared to an income tax expense of \$6.5 million for the same period in 2007 on earnings before tax of \$4.5 million. Current income taxes for the third quarter and first nine months of 2008 consisted primarily of the tax expense in jurisdictions with current taxes payable and a tax recovery related to Canadian tax reserves estimated as a result of ongoing Canadian tax audits. Deferred income taxes for the third quarter and first nine months of 2008 were comprised primarily of the deferred tax recovery on losses in Canada and a deferred tax expense related to changes in our expectations regarding tax uncertainties. Current income taxes for 2007 reflect the tax recovery resulting from the U.S. tax audit resolution. During 2007, our deferred income taxes were impacted significantly by the unrealized foreign exchange gains in Canada. In December 2007, we reorganized our inter-company loans to reduce our future exposure in Canada to taxable foreign exchange fluctuations and our exposure on our future deferred income taxes.

We conduct business operations in a number of countries, including countries where tax incentives have been extended to encourage foreign investment or where income tax rates are low. Our effective tax rate can vary significantly quarter to quarter due to the mix and volume of business in lower tax jurisdictions within Europe and Asia, tax holidays and tax incentives that have been negotiated with the respective tax authorities (which expire between 2009 and 2015), restructuring charges, operating losses, certain tax exposures, the time period in which losses may be used under tax laws and the valuation allowances recorded on deferred income tax assets. We expect to continue to comply with the conditions governing the tax holidays.

In certain jurisdictions, we currently have significant net operating losses and other deductible temporary differences, which will reduce taxable income in these jurisdictions in future periods. We have determined that a valuation allowance of \$598.0 million is required in respect of our deferred income tax assets as at September 30, 2008 (December 31, 2007 — \$588.8 million).

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As at September 30, 2008, the net deferred income tax liability balance was \$48.9 million (December 31, 2007 — \$57.3 million).



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

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

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

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

## Liquidity and Capital Resources

### Liquidity

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

			As at December 31 2007	As at September 30 2008
	Three months ended September 30		Nine months ended September 30	
	2007	2008	2007	2008
Cash and cash equivalents			\$1,116.7	\$1,258.2
Cash provided by operations	\$ 217.8	\$ 87.8	\$ 172.3	\$ 203.4
Cash used in investing activities	(12.2)	(30.5)	(24.8)	(59.1)
Cash provided by (used in) financing activities	0.5	(2.1)	1.9	(2.8)

#### Cash provided by operations:

During the third quarter of 2008, we generated \$87.8 million in cash from operations primarily from earnings after adding back non-cash charges.

#### Cash used in investing activities:

During the third quarter of 2008, our capital expenditures were incurred primarily to expand manufacturing capabilities in China, Mexico and Europe to support new customer programs. During 2007, the cash used to purchase equipment and expand facilities was partially offset by cash proceeds from the sale of facilities and assets.

#### Cash requirements:

In June 2004, we issued Senior Subordinated Notes due July 2011 with an aggregate principal amount of \$500.0 million and a fixed interest rate of 7.875%. In June 2005, we issued Senior Subordinated Notes due July 2013 with an aggregate principal amount of \$250.0 million and a fixed interest rate of 7.625%. We entered into agreements to swap the fixed interest on the 2011 Notes with a variable interest rate based on LIBOR plus a margin. Interest on the 2011 and 2013 Notes is payable in January and July of each year until maturity. These Notes are unsecured and are subordinated in right of payment to all our senior debt. We are entitled to redeem the 2011 Notes and will be entitled to redeem the 2013 Notes on or after July 1, 2009, in each case at various premiums above face value. The Notes have restrictive covenants that limit our ability to pay dividends, repurchase our own stock or repay debt that is subordinated to these Notes. These covenants also place limitations on debt incurrence, the sale of assets and our ability to incur additional debt. We were in compliance with all covenants at September 30, 2008.

As of October 17, 2008, we had committed approximately \$12 million in capital expenditures, principally for machinery and equipment and facilities in our lower cost geographies to support new customer programs. Based on our current operating plans, we anticipate capital spending for 2008 to be between 1% and 1.25% of revenue, and expect to fund this spending from cash on hand. In addition, we regularly review acquisition opportunities and, as a result, could require additional debt or equity financing to fund these transactions.

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

In 2007, securities class action lawsuits were commenced against us and our former Chief Executive and Chief Financial Officers, in the United States District Court of the Southern District of New York by certain individuals, on behalf of themselves and other unnamed purchasers of our stock, claiming that they were purchasers of our stock during the period January 27, 2005 through January 30, 2007. The plaintiffs allege violations of United States federal securities laws and seek unspecified damages. They allege that during the purported class period we made statements concerning our actual and anticipated future financial results that failed to disclose certain purportedly material adverse information with respect to demand and inventory in our Mexican operations and our information technology and communications divisions. In an amended complaint, the plaintiffs have added one of our directors and Onex Corporation as defendants. A parallel class proceeding has also been issued against us and our former Chief Executive and Chief Financial Officers, in the Ontario Superior Court of Justice, but neither leave nor certification of the action has been granted by that court. We believe that the allegations in these claims are without merit and we intend to defend against them vigorously. However, there can be no assurance that the outcome of the litigation will be favorable to us or will not have a material adverse impact on our financial position or liquidity. In addition, we may incur substantial litigation expenses in defending these claims. We have liability insurance coverage that may cover some of the expense of defending these cases, as well as potential judgments or settlement costs.

## Capital Resources

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

At September 30, 2008, we had total cash in excess of \$1.2 billion, comprised of cash (approximately 25%) and short-term investments (approximately 75%). Our current portfolio consists of certificates of deposits and certain money market funds that hold exclusively U.S. government securities. Our short-term investments have maturities of less than three months. The majority of our cash and short-term investments are held with financial institutions each of which has a current Standard and Poor's rating of A-1 or above.

We manage our capitalization levels and make adjustments, as available, for changes in economic conditions. We have full access to a \$300.0 million credit facility and we can sell up to \$250.0 million, on a committed basis, under an accounts receivable sales program to provide short-term liquidity. Our credit facility has restrictive covenants relating to debt incurrence and the sale of assets. The facility also contains financial covenants that may limit the available amount of debt that can be incurred under the facility. We closely monitor our business performance to evaluate compliance with our covenants. Our 2011 and 2013 Notes also have restrictions on financing activities. We continue to monitor and review the most cost-effective methods for raising capital, taking into account these restrictions and covenants.

There were no significant changes to our capital structure during the first nine months of 2008. We have not distributed, nor do we currently plan to distribute, any dividends to our shareholders.

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

Our revolving credit facility for \$300.0 million matures in April 2009. We have pledged certain assets, including the shares of certain North American subsidiaries, as security. The facility includes a \$25.0 million swing-line facility that provides for short-term borrowings up to a maximum of seven days. Borrowings under the facility bear interest at LIBOR plus a margin except that borrowings under the swing-line facility bear interest at a base rate plus a margin. There were no borrowings outstanding under this facility at September 30, 2008. Commitment fees for the first nine months of 2008 were \$1.4 million. The facility has restrictive covenants relating to debt incurrence and sale of assets and also contains financial covenants that require us to maintain certain financial ratios. We were in compliance with all covenants at September 30, 2008.

We have additional uncommitted bank overdraft facilities available for operating requirements. At September 30, 2008, we had \$49.5 million of available credit under these facilities. There were no borrowings outstanding under these facilities at September 30, 2008.

We believe that cash flow from operating activities, together with cash on hand and borrowings available under our credit facility (which is undrawn), will be sufficient to fund currently anticipated working capital, planned restructuring and capital spending, and debt service requirements for the next 12 months. Historically, we have funded our operations from the proceeds of public offerings of equity and debt securities, cash generated from operations, bank debt, sales of accounts receivable and equipment lease financings. We expect to continue to enter into debt and equity financings, sales of accounts receivable and lease transactions to fund anticipated growth and acquisitions. The issuance and timing of additional equity or convertible debt securities could dilute current shareholders' positions. Further, we may issue debt securities that have rights and privileges senior to equity holders, and the terms of this debt could impose restrictions on our operations. Such financings and other transactions may not be available on terms acceptable to us or at all. At September 30, 2008, we had cash balances in excess of our debt obligations.

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

At October 17, 2008, our Standard and Poor's corporate rating is B+ and our senior subordinated notes rating is B, with a stable outlook. The notes rating, which is 14th out of 20 on the rating scale, means that the obligor currently has the capacity to meet its financial commitment on the obligation but adverse business, financial or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation. At October 17, 2008, our Moody's Investor Service corporate rating is B1 and our senior subordinated notes rating is B3, with a stable outlook. The subordinated

notes rating is 16th out of 21 on the rating scale. Obligations rated B3 are considered to be in the lower-range of obligations that are judged to be speculative and subject to high credit risk. A reduction in our credit ratings could adversely impact our future cost of borrowing.

In November 2005, we entered into an agreement to sell certain accounts receivable to a third-party bank (which has a Standard and Poor's rating of AA-), and other qualified purchasers. The program provides for the sale of up to \$250.0 million in accounts receivable on a committed basis. The program also provides for the sale of certain accounts receivable in excess of the committed amount at the discretion of the purchasers. As of September 30, 2008, we have sold approximately \$75 million (December 31, 2007 — \$225 million) in accounts receivable to the third-party bank under this program. As a result of our strengthening cash position, we have been reducing the amount of the accounts receivable sold under this arrangement. In August 2008, we entered into an agreement to extend this facility to November 2009, under similar terms.

#### *Financial instruments:*

Our short-term investment objectives are to preserve principal and to maximize yields without significantly increasing risk, while at the same time not materially restricting our short term access to cash. To achieve these objectives, we maintain a portfolio consisting of a variety of securities, including certificates of deposit and money market funds.

Most of our cash balances are held in U.S. dollars. We price the majority of our products in U.S. dollars and the majority of our materials costs are also denominated in U.S. dollars. However, a significant portion of our non-materials costs (including payroll, facilities costs and costs of locally sourced supplies and inventory) are denominated in various other currencies. As a result, we may experience transaction and translation gains or losses because of currency fluctuations. We have a foreign exchange risk management policy in place to control our hedging activities and we do not enter into speculative trades. Our current hedging activity is designed to reduce the variability of our foreign currency costs where we have local manufacturing operations and generally involves entering into contracts to trade U.S. dollars for various currencies at future dates. We may, from time to time, enter into additional hedging transactions to minimize our exposure to foreign currency. We cannot be assured that our hedging transactions will be successful.

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At September 30, 2008, we had forward exchange contracts to trade U.S. dollars in exchange for the following currencies (in millions):

<u>Currency</u>	<u>Amount of U.S. dollars</u>	<u>Weighted average exchange rate of U.S. dollars</u>	<u>Maximum period in months</u>	<u>Fair value gain/(loss)</u>
Canadian dollar	\$ 186.3	\$ 0.97	12	\$ (1.4)
Thai baht	71.4	0.03	11	(2.6)
Malaysian ringgit	65.2	0.31	12	(3.4)
Mexican peso	60.2	0.09	12	(1.7)
Czech koruna	48.0	0.06	10	(2.2)
Singapore dollar	31.4	0.73	12	(0.9)
Euro	19.6	1.51	11	0.7
	<u>\$ 482.1</u>			<u>\$ (11.5)</u>

Our contracts generally extend for periods of up to 12 months and expire by September 2009. The counterparties to these contracts are financial institutions each of which has a current Standard and Poor's rating of A+ or above. The fair value of these contracts at September 30, 2008 was a net unrealized loss of \$11.5 million (December 31, 2007 — net unrealized gain of \$20.0 million). The decrease in the fair value of the forward exchange contracts is due primarily to unrealized losses as a result of fluctuations in foreign exchange rates and the settlement of certain foreign exchange forwards with significant gains during the first nine months of 2008.

In connection with the 2011 Notes, we entered into agreements to swap the fixed rate of interest for a variable rate based on LIBOR plus a margin. The notional amount of the agreements, which mature July 2011, is \$500.0 million. The fair value of the interest rate swap agreements at September 30, 2008 was an unrealized gain of \$8.9 million. The average interest rate on the 2011 Notes for the third quarter and first nine months of 2008 was 5.8% and 6.4%, respectively (8.4% for the same periods in 2007), after reflecting the interest rate swaps. The recent global credit crisis could introduce significant volatility to short-term interest rates. We are exposed to interest rate risks due to fluctuations in the LIBOR rate. A one-percentage point increase in the LIBOR rate would increase interest expense on the 2011 Notes by \$5.0 million annually. The counterparties to these interest rate swap agreements are financial institutions each of which has a current Standard and Poor's rating of A+ or above.

We are exposed to a variety of financial risks as part of our operations. See note 12 to the September 30, 2008 Interim Consolidated Financial Statements and note 15 to the 2007 Consolidated Financial Statements.

#### **Outstanding Share Data**

As of October 17, 2008, we had 199.6 million outstanding subordinate voting shares and 29.6 million outstanding multiple voting shares. We also had 9.2 million outstanding stock options, 4.9 million outstanding restricted share units and 3.5 million outstanding performance share units, each such option or unit entitling the holder to receive one subordinate voting share pursuant to the terms thereof (subject to time or performance-based vesting).

#### **Controls and Procedures**

##### *Evaluation of disclosure controls and procedures:*

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

communicated to the issuer's management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

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

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

*Changes in internal controls over financial reporting:*

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

*Management's report on internal control over financial reporting:*

Reference is made to our 2007 Management's report on page F-1 of our Annual Report on Form 20-F. Our auditors, KPMG LLP, an independent registered public accounting firm, have issued an audit report on our internal controls over financial reporting for the year ended December 31, 2007. This report appears on page F-2 of our Annual Report on Form 20-F.

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

	2006 Fourth Quarter	2007				2008		
		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter
Revenue	\$ 2,261.8	\$ 1,842.3	\$ 1,937.0	\$ 2,080.6	\$ 2,210.5	\$ 1,835.7	\$ 1,876.3	\$ 2,030.8
Gross profit %	3.9%	4.3%	4.7%	5.8%	6.0%	6.3%	6.7%	7.4%
Net earnings (loss)	\$ (60.8)	\$ (34.3)	\$ (19.2)	\$ 51.5	\$ (11.7)	\$ 29.8	\$ 39.8	\$ 32.1
# of basic shares	227.6	228.4	229.0	229.1	229.1	229.1	229.2	229.4
# of diluted shares	227.6	228.4	229.0	229.1	229.1	229.2	230.4	230.3
Net earnings (loss):								
per share - basic	\$ (0.27)	\$ (0.15)	\$ (0.08)	\$ 0.22	\$ (0.05)	\$ 0.13	\$ 0.17	\$ 0.14
per share - diluted	\$ (0.27)	\$ (0.15)	\$ (0.08)	\$ 0.22	\$ (0.05)	\$ 0.13	\$ 0.17	\$ 0.14

*Comparability quarter-to-quarter:*

The quarterly data reflects the following:

- the fourth quarter of 2006 was impacted by a net inventory charge relating to two of our facilities;
- the fourth quarters of 2006 and 2007 include the results of our annual impairment testing of long-lived assets; and
- all quarters of 2006, 2007 and 2008 were impacted by our announced restructuring plans. The amounts vary from quarter to quarter.

*Third quarter 2008 compared to Second quarter 2008:*

Sequentially, revenue for the third quarter of 2008 increased 8% to \$2.0 billion from \$1.9 billion for the second quarter of 2008 primarily due to higher revenue from new business wins from existing customers in our consumer segment. The consumer market is seasonally strong in the third quarter of each year. In addition, revenue from our industrial, aerospace

and defense segment increased sequentially which more than offset the declines from our servers segment. Gross margins have increased to 7.4% of revenue for the third quarter of 2008 from 6.7% for the second quarter of 2008, reflecting higher revenue levels and continued improvements throughout the company. The improvements in gross profit were partially offset by higher foreign exchange losses and restructuring costs.

*Third quarter 2008 actual compared to guidance:*

On July 24, 2008, we provided the following guidance for the third quarter of 2008:

	Q3 08	
	Guidance	Actual
Revenue (in billions)	\$ 1.9 to \$ 2.1	\$ 2.0
Adjusted net earnings per share	\$ 0.17 to \$ 0.23	\$ 0.24

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

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

Revenue of \$2.0 billion for the third quarter of 2008 was within our published guidance. Our adjusted net earnings per share of \$0.24 was \$0.01 above the high end of our guidance, and includes a \$0.03 benefit associated with the reduction in the income tax rate for adjusted net earnings.

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

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Three months ended September 30	2007			2008		
	GAAP	Adjustments	Adjusted	GAAP	Adjustments	Adjusted
Revenue	\$ 2,080.6	\$ —	\$ 2,080.6	\$ 2,030.8	\$ —	\$ 2,030.8
Cost of sales (1)	1,959.4	(1.0)	1,958.4	1,880.8	(0.5)	1,880.3
Gross profit	121.2	1.0	122.2	150.0	0.5	150.5
SG&A (1)	74.1	(0.3)	73.8	85.9	(0.6)	85.3
Amortization of intangible assets	5.1	(5.1)	—	3.4	(3.4)	—
Other charges	2.2	(2.2)	—	16.4	(16.4)	—
Operating earnings - EBIAT	39.8	8.6	48.4	44.3	20.9	65.2
Interest expense, net	10.0	—	10.0	9.8	—	9.8
Net earnings before tax	29.8	8.6	38.4	34.5	20.9	55.4
Income tax expense (recovery)	(21.7)	30.8	9.1	2.4	(1.3)	1.1
Net earnings (loss)	\$ 51.5	\$ (22.2)	\$ 29.3	\$ 32.1	\$ 22.2	\$ 54.3
W.A. # of shares (in millions) - diluted	229.1		229.1	230.3		230.3
Earnings per share - diluted	\$ 0.22		\$ 0.13	\$ 0.14		\$ 0.24

Nine months ended September 30	2007			2008		
	GAAP	Adjustments	Adjusted	GAAP	Adjustments	Adjusted
Revenue	\$ 5,859.9	\$ -	\$ 5,859.9	\$ 5,742.8	\$ —	\$ 5,742.8
Cost of sales (1)	5,569.5	(2.9)	5,566.6	5,352.3	(2.3)	5,350.0
Gross profit	290.4	2.9	293.3	390.5	2.3	392.8
SG&A (1)	219.5	(1.4)	218.1	223.8	(2.7)	221.1
Amortization of intangible assets	16.2	(16.2)	—	11.8	(11.8)	—
Integration costs relating to acquisitions	0.1	(0.1)	—	—	—	—
Other charges	8.4	(8.4)	—	23.3	(23.3)	—
Operating earnings - EBIAT	46.2	29.0	75.2	131.6	40.1	171.7
Interest expense, net	41.7	—	41.7	28.8	—	28.8
Net earnings before tax	4.5	29.0	33.5	102.8	40.1	142.9
Income tax expense	6.5	1.9	8.4	1.1	13.2	14.3
Net earnings (loss)	\$ (2.0)	\$ 27.1	\$ 25.1	\$ 101.7	\$ 26.9	\$ 128.6
W.A. # of shares (in millions) - diluted	228.8		229.0	230.0		230.0
Earnings (loss) per share - diluted	\$ (0.01)		\$ 0.11	\$ 0.44		\$ 0.56

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

Fourth quarter 2008 guidance:

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

	Q4 08 – Guidance
Revenue (in billions)	\$1.75 to \$2.0
Adjusted net earnings per share	\$0.16 to \$0.24

Our revenue guidance for the fourth quarter of 2008 represents a 8% sequential decrease from our third quarter of 2008, using the midpoint of our revenue guidance. We expect revenue in our communications and IT infrastructure business to decline in the fourth quarter, with our other end markets being relatively flat from the third quarter, reflecting the slower growth environment. We believe we have made sustainable improvements in our cost structure and this is reflected in our adjusted net earnings per share guidance.

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Our guidance for the fourth quarter of 2008 is based on various assumptions which management believes are reasonable under the current circumstances but which may prove to be inaccurate and many of which involve factors that are beyond the control of the company. The material assumptions may include assumptions regarding the following: forecasts from our customers, which range outwards from 30 days to 90 days; timing and investments associated with ramping new business; general economic and market conditions; currency exchange rates; pricing and competition; anticipated customer demand; supplier performance and pricing; commodity, labor, energy and transportation costs; operational and financial matters; technological developments; and the timing and execution of our restructuring plan. These assumptions are based on management's current views with respect to current plans and events, and will be subject to the risks and uncertainties discussed above. Our guidance for the fourth quarter of 2008 is given for the purpose of providing information about management's current expectations and plans relating to the fourth quarter of 2008. Readers are cautioned that such information may not be appropriate for other purposes.

### **Recent Accounting Developments**

#### *Goodwill and intangible assets:*

In February 2008, the CICA issued Handbook Section 3064, "Goodwill and intangible assets," which replaces the existing standards. This revised standard establishes guidance for the recognition, measurement and disclosure of goodwill and intangible assets, including internally generated intangible assets. This standard is effective for 2009. We are currently evaluating the impact of adopting this standard on our consolidated financial statements.

#### *International financial reporting standards (IFRS):*

In February 2008, the Canadian Accounting Standards Board announced the adoption of International Financial Reporting Standards for publicly accountable enterprises in Canada. Effective January 1, 2011, companies must convert from Canadian GAAP to IFRS. IFRS is effective for our first quarter of 2011. We have started an IFRS conversion project to evaluate the impact of implementing the new standards. We cannot at this time reasonably estimate the impact of adopting IFRS on our consolidated financial statements.

**FOR IMMEDIATE RELEASE**

Thursday, October 23, 2008

(All amounts in U.S. dollars.

Per share information based on diluted shares outstanding unless noted otherwise.)

**CELESTICA ANNOUNCES THIRD QUARTER 2008 FINANCIAL RESULTS****Third Quarter Summary**

- Revenue of \$2,031 million, up 8% sequentially, and compared to \$2,081 million for the same period last year
- GAAP earnings of \$0.14 per share compared to \$0.22 per share last year
- Adjusted net earnings of \$0.24 per share compared to \$0.13 per share last year driven primarily by improved operating earnings and a lower adjusted tax rate
- Operating margin of 3.2% compared to 2.3% last year
- Gross margin of 7.4% compared to 5.8% last year
- Inventory turnover of 9.1 turns compared to 8.3 turns last year
- Return on invested capital including intangibles of 13.9% compared to 9.1% last year
- Third quarter free cash flow of \$57 million, cash balance of \$1.26 billion
- Fourth quarter revenue guidance of \$1.75 billion - \$2.0 billion, adjusted net earnings per share of \$0.16 - \$0.24

TORONTO, Canada - Celestica Inc. (NYSE, TSX: CLS), a global leader in the delivery of end-to-end product lifecycle solutions, today announced financial results for the third quarter ended September 30, 2008.

Revenue was \$2,031 million compared to \$2,081 million in the third quarter of 2007. Net earnings on a GAAP basis for the third quarter were \$32.1 million or \$0.14 per share, compared to GAAP net earnings of \$51.5 million or \$0.22 per share for the same period last year. The year-over-year decline in GAAP EPS was primarily impacted by lower tax recoveries and higher restructuring charges, offset partially by improved operating earnings.

Adjusted net earnings for the quarter were \$54.3 million or \$0.24 per share, compared to adjusted net earnings of \$29.3 million or \$0.13 per share for the same period last year. The term adjusted net earnings is defined as net earnings before other charges, amortization of intangible assets, integration costs related to acquisitions, option expense, option exchange costs and gains or losses on the repurchase of shares and debt, net of tax and significant deferred tax write-offs or recovery (detailed GAAP financial statements and supplementary information related to adjusted net earnings appear at the end of this press release).

These results compare with the company's guidance for the third quarter, announced on July 24, 2008, of revenue of \$1.9 billion to \$2.1 billion and adjusted net earnings per share of \$0.17 to \$0.23.

For the nine months ended September 30, 2008, revenue was \$5,743 million compared to \$5,860 million for the same period in 2007. Net earnings on a GAAP basis were \$101.7 million or \$0.44 per share compared to GAAP net loss of (\$2.0) million or (\$0.01) per share for the same period last year. Adjusted net earnings for the nine months ended September 30, 2008 were \$128.6 million or \$0.56 per share compared to adjusted net earnings of \$25.1 million or \$0.11 per share for the same period in 2007.

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“Celestica delivered strong results in the third quarter driven predominately by our operating improvements in Mexico and Europe,” said Craig Muhlhauser, President and Chief Executive Officer, Celestica. “In the third quarter, we continued delivering strong working capital performance and generated free cash flow for the sixth consecutive quarter. We ended the quarter with a healthy \$1.26 billion cash balance and a strong balance sheet.

“While we expect end markets to be impacted by the current uncertain environment, Celestica is well positioned with its customers, who recognize the benefit of having partnered with a supply chain leader with global capabilities and significant financial strength.”

**Outlook**

For the fourth quarter ending December 31, 2008, the company anticipates revenue to be in the range of \$1.75 billion to \$2.0 billion, and adjusted net earnings per share to range from \$0.16 to \$0.24.

**Third Quarter Webcast**

Management will host its quarterly results conference call today at 4:30 p.m. Eastern. The webcast can be accessed at [www.celestica.com](http://www.celestica.com).

**Supplementary Information**

In addition to disclosing detailed results in accordance with Canadian generally accepted accounting principles (GAAP), Celestica also provides supplementary non-GAAP measures as a method to evaluate the company's operating performance.

Management uses adjusted net earnings as a measure of enterprise-wide performance. As a result of restructuring activities, acquisitions made by the company, fair value accounting for stock options and securities repurchases, management believes adjusted net earnings are a useful measure for the company as well as its investors to facilitate period-to-period operating comparisons and allow the comparison of operating results with its competitors in the U.S. and Asia. Excluded from adjusted net earnings are the effects of other charges (most significantly, restructuring costs and the write-down of goodwill and long-lived assets), acquisition-related charges (amortization of intangible assets and integration costs related to acquisitions), option expense and option exchange costs, gains or losses on the repurchase of shares or debt and the related income tax effect of these adjustments and any significant deferred tax write-offs or recovery. The term adjusted net earnings does not have any standardized meaning prescribed by GAAP and is not necessarily comparable to similar measures

presented by other companies. Adjusted net earnings are not a measure of performance under Canadian or U.S. GAAP and should not be considered in isolation or as a substitute for net earnings prepared in accordance with Canadian or U.S. GAAP. The company has provided a reconciliation of adjusted net earnings to Canadian GAAP net earnings below.

## **About Celestica**

Celestica is dedicated to delivering end-to-end product lifecycle solutions to drive our customers' success. Through our simplified global operations network and information technology platform, we are solid partners who deliver informed, flexible solutions that enable our customers to succeed in the markets they serve. Committed to providing a truly differentiated customer experience, our agile and adaptive employees share a proud history of demonstrated expertise and creativity that provides our customers with the ability to overcome any challenge.

For further information on Celestica, visit its website at <http://www.celestica.com>.

The company's security filings can also be accessed at <http://www.sedar.com> and <http://www.sec.gov>.

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## **Safe Harbour and Fair Disclosure Statement**

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

*As of its date, this press release contains any material information associated with the company's financial results for the third quarter ended September 30, 2008 and revenue and adjusted net earnings guidance for the fourth quarter ending December 31, 2008. Revenue and earnings guidance is reviewed by the company's board of directors. Our revenue and earnings guidance is based on various assumptions by management, which management believes are reasonable under the current circumstances, but may prove to be inaccurate, and many of which involve factors that are beyond the control of the Company. The material assumptions may include assumptions regarding the following: forecasts from our customers, which range from 30 to 90 days; timing and investments associated with ramping new business; general economic and market conditions; currency exchange rates; pricing and competition; anticipated customer demand; supplier performance and pricing; commodity, labor, energy and transportation costs; operational and financial matters; technological developments; and the timing and execution of our restructuring plan. These assumptions are based on management's current views with respect to current plans and events, and are and will be subject to the risks and uncertainties referred to above. It is Celestica's policy that revenue and earnings guidance is effective on the date given, and will only be updated through a public announcement.*

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## **RECONCILIATION OF GAAP TO ADJUSTED NET EARNINGS (in millions of U.S. dollars)**

Three months ended September 30	2007			2008		
	GAAP	Adjustments	Adjusted	GAAP	Adjustments	Adjusted
Revenue	\$ 2,080.6	\$ —	\$ 2,080.6	\$ 2,030.8	\$ —	\$ 2,030.8
Cost of sales (1)	1,959.4	(1.0)	1,958.4	1,880.8	(0.5)	1,880.3
Gross profit	121.2	1.0	122.2	150.0	0.5	150.5
SG&A (1)	74.1	(0.3)	73.8	85.9	(0.6)	85.3
Amortization of intangible assets	5.1	(5.1)	—	3.4	(3.4)	—



Other charges	2.2	(2.2)	—	16.4	(16.4)	—
Operating earnings - EBIAT	39.8	8.6	48.4	44.3	20.9	65.2
Interest expense, net	10.0	—	10.0	9.8	—	9.8
Net earnings before tax	29.8	8.6	38.4	34.5	20.9	55.4
Income tax expense (recovery)	(21.7)	30.8	9.1	2.4	(1.3)	1.1
Net earnings (loss)	\$ 51.5	\$ (22.2)	\$ 29.3	\$ 32.1	\$ 22.2	\$ 54.3
W.A. # of shares (in millions) - diluted	229.1		229.1	230.3		230.3
Earnings per share - diluted	\$ 0.22		\$ 0.13	\$ 0.14		\$ 0.24

Nine months ended September 30	2007			2008		
	GAAP	Adjustments	Adjusted	GAAP	Adjustments	Adjusted
Revenue	\$ 5,859.9	\$ —	\$ 5,859.9	\$ 5,742.8	\$ —	\$ 5,742.8
Cost of sales (1)	5,569.5	(2.9)	5,566.6	5,352.3	(2.3)	5,350.0
Gross profit	290.4	2.9	293.3	390.5	2.3	392.8
SG&A (1)	219.5	(1.4)	218.1	223.8	(2.7)	221.1
Amortization of intangible assets	16.2	(16.2)	—	11.8	(11.8)	—
Integration costs relating to acquisitions	0.1	(0.1)	—	—	—	—
Other charges	8.4	(8.4)	—	23.3	(23.3)	—
Operating earnings - EBIAT	46.2	29.0	75.2	131.6	40.1	171.7
Interest expense, net	41.7	—	41.7	28.8	—	28.8
Net earnings before tax	4.5	29.0	33.5	102.8	40.1	142.9
Income tax expense	6.5	1.9	8.4	1.1	13.2	14.3
Net earnings (loss)	\$ (2.0)	\$ 27.1	\$ 25.1	\$ 101.7	\$ 26.9	\$ 128.6
W.A. # of shares (in millions) - diluted	228.8		229.0	230.0		230.0
Earnings (loss) per share - diluted	\$ (0.01)		\$ 0.11	\$ 0.44		\$ 0.56

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

#### GUIDANCE SUMMARY

	3Q 08 Guidance	3Q 08 Actual	4Q 08 Guidance (2)
Revenue	\$1.9B - \$2.1B	\$2.0B	\$1.75B - \$2.0B
Adjusted net EPS	\$0.17 - \$0.23	\$0.24	\$0.16 - \$0.24

(2) Guidance for the fourth quarter is provided only on an adjusted net earnings basis. This is due to the difficulty in forecasting the various items impacting GAAP net earnings, such as the amount and timing of our restructuring activities.

### CELESTICA INC.

#### CONSOLIDATED BALANCE SHEETS (in millions of U.S. dollars)

	December 31 2007	September 30 2008 (unaudited)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,116.7	\$ 1,258.2
Accounts receivable	941.2	1,040.1
Inventories	791.9	843.3
Prepaid and other assets	126.2	83.7
Income taxes recoverable	19.8	34.4
Deferred income taxes	3.8	4.5
	2,999.6	3,264.2
Property, plant and equipment	466.0	462.9
Goodwill from business combinations	850.5	850.5
Intangible assets	35.2	23.4
Other long-term assets	119.2	114.0
	\$ 4,470.5	\$ 4,715.0
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 1,029.8	\$ 1,169.0
Accrued liabilities	402.6	415.7
Income taxes payable	14.0	20.3
Deferred income taxes	—	0.1
Current portion of long-term debt (note 3)	0.2	1.2
	1,446.6	1,606.3

Long-term debt (note 3)	758.3	760.3
Accrued pension and post-employment benefits	70.4	72.1
Deferred income taxes	63.3	55.7
Other long-term liabilities	13.7	12.2
	<u>2,352.3</u>	<u>2,506.6</u>
Shareholders' equity (note 10):		
Capital stock	3,585.2	3,588.5
Warrants	3.1	—
Contributed surplus	190.3	206.3
Deficit	(1,716.3)	(1,614.6)
Accumulated other comprehensive income	55.9	28.2
	<u>2,118.2</u>	<u>2,208.4</u>
	<u>\$ 4,470.5</u>	<u>\$ 4,715.0</u>

Guarantees and contingencies (note 11)

See accompanying notes to consolidated financial statements.  
These unaudited interim consolidated financial statements should be read in conjunction with the  
2007 annual consolidated financial statements.

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CELESTICA INC.

CONSOLIDATED STATEMENTS OF OPERATIONS  
(in millions of U.S. dollars, except per share amounts)  
(unaudited)

	Three months ended September 30		Nine months ended September 30	
	2007	2008	2007	2008
Revenue	\$ 2,080.6	\$ 2,030.8	\$ 5,859.9	\$ 5,742.8
Cost of sales	1,959.4	1,880.8	5,569.5	5,352.3
Gross profit	121.2	150.0	290.4	390.5
Selling, general and administrative expenses	74.1	85.9	219.5	223.8
Amortization of intangible assets	5.1	3.4	16.2	11.8
Integration costs related to acquisitions	—	—	0.1	—
Other charges (note 4)	2.2	16.4	8.4	23.3
Interest on long-term debt	14.6	14.1	49.8	42.3
Interest income, net of interest expense	(4.6)	(4.3)	(8.1)	(13.5)
Earnings before income taxes	29.8	34.5	4.5	102.8
Income tax expense (recovery):				
Current	(21.2)	6.4	(9.0)	5.1
Deferred	(0.5)	(4.0)	15.5	(4.0)
	<u>(21.7)</u>	<u>2.4</u>	<u>6.5</u>	<u>1.1</u>
Net earnings (loss) for the period	<u>\$ 51.5</u>	<u>\$ 32.1</u>	<u>\$ (2.0)</u>	<u>\$ 101.7</u>
Basic earnings (loss) per share	\$ 0.22	\$ 0.14	\$ (0.01)	\$ 0.44
Diluted earnings (loss) per share	\$ 0.22	\$ 0.14	\$ (0.01)	\$ 0.44
Shares used in computing per share amounts:				
Basic (in millions)	229.1	229.4	228.8	229.2
Diluted (in millions)	229.1	230.3	228.8	230.0

See accompanying notes to consolidated financial statements.  
These unaudited interim consolidated financial statements should be read in conjunction with the  
2007 annual consolidated financial statements.

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CELESTICA INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(in millions of U.S. dollars)  
(unaudited)

	Three months ended September 30		Nine months ended September 30	
	2007	2008	2007	2008

Net earnings (loss) for the period	\$	51.5	\$	32.1	\$	(2.0)	\$	101.7
Other comprehensive income (loss), net of tax:								
Foreign currency translation gain (loss)		6.2		(3.3)		5.1		2.8
Net gain (loss) on derivatives designated as cash flow hedges		12.0		(11.4)		28.3		(9.0)
Net gain on derivatives designated as cash flow hedges reclassified to operations		(4.4)		(2.5)		(6.8)		(21.5)
Comprehensive income	\$	<u>65.3</u>	\$	<u>14.9</u>	\$	<u>24.6</u>	\$	<u>74.0</u>

See accompanying notes to consolidated financial statements.

These unaudited interim consolidated financial statements should be read in conjunction with the 2007 annual consolidated financial statements.

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CELESTICA INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in millions of U.S. dollars)  
(unaudited)

	Three months ended September 30		Nine months ended September 30					
	2007	2008	2007	2008				
<b>Cash provided by (used in):</b>								
<b>Operations:</b>								
Net earnings (loss) for the period	\$	51.5	\$	32.1	\$	(2.0)	\$	101.7
Items not affecting cash:								
Depreciation and amortization		35.2		27.2		97.1		81.5
Deferred income taxes		(0.5)		(4.0)		15.5		(4.0)
Non-cash charge for option issuances		1.3		1.1		4.3		5.0
Restructuring charges		3.1		0.2		(1.0)		0.5
Other charges		(0.5)		—		(1.1)		—
Other		7.5		7.5		21.2		19.5
Changes in non-cash working capital items:								
Accounts receivable		(23.7)		(146.8)		9.6		(98.9)
Inventories		28.0		(31.3)		271.0		(51.4)
Prepaid and other assets		(23.3)		9.8		(9.0)		25.0
Income taxes recoverable		(5.6)		(1.5)		(6.7)		(14.6)
Accounts payable and accrued liabilities		168.0		191.2		(205.4)		132.8
Income taxes payable		(23.2)		2.3		(21.2)		6.3
Non-cash working capital changes		<u>120.2</u>		<u>23.7</u>		<u>38.3</u>		<u>(0.8)</u>
Cash provided by operations		<u>217.8</u>		<u>87.8</u>		<u>172.3</u>		<u>203.4</u>
<b>Investing:</b>								
Purchase of property, plant and equipment		(12.7)		(30.8)		(48.7)		(63.2)
Proceeds from sale of assets		0.7		0.4		24.0		4.2
Other		(0.2)		(0.1)		(0.1)		(0.1)
Cash used in investing activities		<u>(12.2)</u>		<u>(30.5)</u>		<u>(24.8)</u>		<u>(59.1)</u>
<b>Financing:</b>								
Financing costs		—		—		(0.9)		—
Repayment of long-term debt		(0.2)		—		(0.5)		(0.2)
Issuance of share capital		0.1		0.2		3.5		2.1
Other		0.6		(2.3)		(0.2)		(4.7)
Cash provided by (used in) financing activities		<u>0.5</u>		<u>(2.1)</u>		<u>1.9</u>		<u>(2.8)</u>
Increase in cash		206.1		55.2		149.4		141.5
Cash, beginning of period		747.0		1,203.0		803.7		1,116.7
Cash, end of period	\$	<u>953.1</u>	\$	<u>1,258.2</u>	\$	<u>953.1</u>	\$	<u>1,258.2</u>

Supplemental cash flow information (note 8)

See accompanying notes to consolidated financial statements.

These unaudited interim consolidated financial statements should be read in conjunction with the 2007 annual consolidated financial statements.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(in millions of U.S. dollars, except per share amounts)**  
**(unaudited)**

**1. Basis of presentation:**

We prepare our financial statements in accordance with generally accepted accounting principles (GAAP) in Canada with a reconciliation to accounting principles generally accepted in the United States, disclosed in note 20 to the 2007 annual consolidated financial statements.

**2. Significant accounting policies:**

The disclosures contained in these unaudited interim consolidated financial statements do not include all requirements of Canadian GAAP for annual financial statements. These unaudited interim consolidated financial statements should be read in conjunction with the 2007 annual consolidated financial statements. These unaudited interim consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary to present fairly our financial position as at September 30, 2008 and the results of operations and cash flows for the three and nine months ended September 30, 2007 and 2008. These unaudited interim consolidated financial statements are based upon accounting principles consistent with those used and described in the 2007 annual consolidated financial statements, except for the following:

**Changes in accounting policies:**

*(i) Inventories:*

Effective January 1, 2008, we adopted CICA Handbook Section 3031, "Inventories," which requires inventory to be measured at the lower of cost and net realizable value. This standard provides additional guidance on the types of costs that can be capitalized and requires the reversal and disclosure of previous inventory write-downs if economic circumstances have changed to support higher inventory values. The adoption of this standard did not have a material impact on our consolidated financial statements.

During the third quarter of 2008, we recorded a net inventory provision of \$3.9 (first nine months of 2008 – \$11.5) to write-down the value of our inventory to net realizable value. This net inventory provision is included in cost of sales. There were no significant reversals of previously recorded inventory write-downs during the quarter.

*(ii) Financial instruments:*

Effective January 1, 2008, we adopted CICA Handbook Section 3862, "Financial instruments – disclosures," and Section 3863, "Financial instruments – presentation." These standards provide additional guidance on disclosing risks related to recognized and unrecognized financial instruments and how those risks are managed. The adoption of these standards did not have a material impact on our consolidated financial statements.

Section 3862 requires us to disclose the classifications of our financial instruments into the following specific categories:

- financial assets held-for-trading
- held-to-maturity investments
- financial liabilities held-for-trading
- loans and receivables
- available-for-sale financial assets
- financial liabilities measured at amortized cost

The classification of our financial instruments is as follows:

Our cash and cash equivalents are comprised of cash and short-term investments. See note 8. Most of our short-term investments are held-to-maturity, except for investments in highly-liquid mutual funds which are held-for-trading. We classify accounts receivable under loans and receivables. Our derivative assets are included in prepaid and other assets and other long-term assets. Our derivative liabilities are included in accrued liabilities. The majority of our derivative assets and liabilities arise from foreign currency forward contracts and interest rate swap

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**CELESTICA INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(in millions of U.S. dollars, except per share amounts)**  
**(unaudited)**

agreements. Our foreign currency forward contracts are recorded at fair value and the majority of our foreign currency forward contracts are designated as cash flow hedges. Our interest rate swap agreements related to our \$500.0 Senior Subordinated Notes due 2011 are recorded at fair value and are designated as fair value hedges. See note 9. Accounts payable and the majority of our accrued liabilities, excluding derivative liabilities, are classified as financial liabilities which are recorded at amortized cost. Our Senior Subordinated Notes, which are recorded in long-term debt, are classified as financial liabilities. See note 3. The carrying values of our Senior Subordinated Notes are comprised of elements recorded at fair value and amortized cost. See note 15 to the 2007 annual consolidated financial statements. We do not currently have any financial assets designated as available-for-sale.

We are exposed to a variety of financial risks that we face in the normal course of business. Our financial risk management objectives are described in note 15 to the 2007 annual consolidated financial statements. The disclosures required by Section 3862 are included in note 12.

Effective January 1, 2007, we adopted the CICA standards on financial instruments, hedges and comprehensive income. Section 1530, "Comprehensive income," Section 3855, "Financial instruments – recognition and measurement," Section 3861, "Financial instruments – disclosure and presentation," and

Section 3865, "Hedges". These disclosures are included in notes 2(s), 7, 10 and 15 to the 2007 annual consolidated financial statements. On January 1, 2007, we made certain transitional adjustments to our consolidated balance sheet which included an adjustment to opening deficit of \$6.4.

The impact of these standards on our operations is as follows:

	Three months ended September 30		Nine months ended September 30	
	2007	2008	2007	2008
Increase (decrease) in interest expense on long-term debt	\$ (2.1)	\$ 0.9	\$ (0.7)	\$ 0.2

(iii) *Capital disclosures:*

Effective January 1, 2008, we adopted CICA Handbook Section 1535, "Capital disclosures," which provides guidance for disclosing information about an entity's capital and how it manages its capital. This standard requires the disclosure of the entity's capital management objectives, policies and processes. See note 13. The adoption of this standard did not have a material impact on our consolidated financial statements.

**Recently issued accounting pronouncements:**

*Goodwill and intangible assets:*

In February 2008, the CICA issued Handbook Section 3064, "Goodwill and intangible assets," which replaces the existing standards. This revised standard establishes guidance for the recognition, measurement and disclosure of goodwill and intangible assets, including internally generated intangible assets. This standard is effective for 2009. We are currently evaluating the impact of adopting this standard on our consolidated financial statements.

*International financial reporting standards(IFRS):*

In February 2008, the Canadian Accounting Standards Board announced the adoption of International Financial Reporting Standards for publicly accountable enterprises. IFRS will replace Canadian GAAP effective January 1, 2011. IFRS is effective for our first quarter of 2011 and will require that we restate our 2010 comparative numbers. We have started an IFRS conversion project to evaluate the impact of implementing the new standards. We cannot at this time reasonably estimate the impact of adopting IFRS on our consolidated financial statements.

CELESTICA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(in millions of U.S. dollars, except per share amounts)  
(unaudited)

3. Long-term debt:

	December 31 2007	September 30 2008
Secured, revolving credit facility due 2009 (a)	\$ —	\$ —
Senior Subordinated Notes due 2011 (2011 Notes) (b)(c)	500.0	500.0
Senior Subordinated Notes due 2013 (2013 Notes) (b)	250.0	250.0
Embedded prepayment option at fair value (d)	(6.5)	(5.8)
Basis adjustments on debt obligation (d)	6.5	5.7
Unamortized debt issue costs	(9.6)	(8.0)
Fair value adjustment of 2011 Notes attributable to interest rate risks (d)	17.9	18.4
	758.3	760.3
Capital lease obligations	0.2	1.2
	758.5	761.5
Less current portion	0.2	1.2
	\$ 758.3	\$ 760.3

(a) We have a revolving credit facility for \$300.0 which matures in April 2009. There were no borrowings outstanding under this facility at September 30, 2008. Commitment fees for the third quarter of 2008 were \$0.5 (\$1.4 – first nine months of 2008). The facility has restrictive covenants relating to debt incurrence and sale of assets and also contains financial covenants that require us to maintain certain financial ratios. We were in compliance with all covenants at September 30, 2008. Based on the required financial ratios at September 30, 2008, we have full access to the \$300.0 available under this facility.

We also have uncommitted bank overdraft facilities available for operating requirements which total \$49.5 at September 30, 2008. There were no borrowings outstanding under these facilities at September 30, 2008.

(b) In June 2004, we issued the 2011 Notes with an aggregate principal amount of \$500.0 and a fixed interest rate of 7.875%. We are entitled to redeem the 2011 Notes at various premiums above face value.

In June 2005, we issued the 2013 Notes with an aggregate principal amount of \$250.0 and a fixed interest rate of 7.625%. We will be entitled to redeem the 2013 Notes on or after July 1, 2009 at various premiums above face value.

The 2011 and 2013 Notes are unsecured and are subordinated in right of payment to all our senior debt. The 2011 and 2013 Notes have restrictive covenants that limit our ability to pay dividends, repurchase our own stock or repay debt that is subordinated to these Notes. These covenants also place limitations on the sale of assets and our ability to incur additional debt. We were in compliance with all covenants at September 30, 2008.

- (c) In connection with the 2011 Notes, we entered into agreements to swap the fixed interest rate with a variable interest rate based on LIBOR plus a margin. The average interest rate on the 2011 Notes was 5.8% and 6.4%, respectively, for the third quarter and first nine months of 2008 (8.4% – third quarter and first nine months of 2007). The fair value of the interest rate swap agreements is disclosed in note 9(ii).
- (d) The prepayment options in the 2011 and 2013 Notes qualify as embedded derivatives which must be bifurcated for reporting under the financial instruments standards. As of September 30, 2008, the fair value of the embedded derivative asset is \$5.8 and is recorded against long-term debt. The decrease in the fair value of the embedded derivative asset of \$0.7 for the first nine months of 2008 is recorded as an increase in interest expense on long-term debt. As a result of bifurcating the prepayment option from these Notes, a basis adjustment is added to the cost of the long-term debt. This basis adjustment is amortized over the term of the debt using the effective interest rate method. The amortization of the basis adjustment of \$0.8 for the first nine months of 2008 is recorded as a reduction of interest expense on long-term debt. The change in the fair value of the debt obligation attributable to movement in the benchmark interest rates resulted in a loss of \$0.5 for the first nine months of 2008, which increased interest expense on long-term debt.

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4. Other charges:

	Three months ended September 30		Nine months ended September 30	
	2007	2008	2007	2008
2001 to 2004 restructuring (a)	\$ 0.6	\$ 0.5	\$ 1.1	\$ 1.4
2005 to 2009 restructuring (b)	2.1	16.3	12.1	22.3
Total restructuring	2.7	16.8	13.2	23.7
Other (c)	(0.5)	(0.4)	(4.8)	(0.4)
	<u>\$ 2.2</u>	<u>\$ 16.4</u>	<u>\$ 8.4</u>	<u>\$ 23.3</u>

(a) 2001 to 2004 restructuring:

In 2001, we announced a restructuring plan as a result of the weak end-markets in the enterprise computing and telecommunications industries. In response to the prolonged difficult end-market conditions, we announced a second restructuring plan in July 2002. The weak demand for our manufacturing services resulted in an accelerated move to lower-cost geographies and additional restructuring in the Americas and Europe. In January 2003, we announced further reductions to our manufacturing capacity in Europe. In 2004, we announced plans to further restructure our operations to better align capacity with customers' requirements.

These restructuring actions were focused on consolidating facilities, reducing the workforce, and transferring programs to lower-cost geographies. The majority of the employees terminated were manufacturing and plant employees. For leased facilities that were no longer used, the lease costs included in the restructuring costs represent future lease payments less estimated sublease recoveries. Adjustments were made to lease and other contractual obligations to reflect incremental cancellation fees paid for terminating certain facility leases and to reflect higher accruals for other leases due to delays in the timing of sublease recoveries and changes in estimated sublease rates, relating principally to facilities in the Americas.

We have completed the major components of these restructuring plans, except for certain long-term lease and other contractual obligations, which will be paid out over the remaining lease terms through 2015. The restructuring liability is recorded in accrued liabilities.

Details of the lease and other contractual obligations accrual are as follows:

	Total accrued liability	2008 charge
December 31, 2007	\$ 26.8	\$ —
Cash payments	(1.7)	—
Adjustments	0.3	0.3
March 31, 2008	25.4	0.3
Cash payments	(1.8)	—
Adjustments	0.6	0.6
June 30, 2008	24.2	0.9
Cash payments	(1.9)	—
Adjustments	0.5	0.5
September 30, 2008	<u>\$ 22.8</u>	<u>\$ 1.4</u>

(b) 2005 to 2009 restructuring:

In January 2005, we announced plans to further improve capacity utilization and accelerate margin improvements. These restructuring actions included facility closures and a reduction in workforce, primarily targeting our higher-cost geographies where end-market demand had not recovered to the levels

required to achieve sustainable profitability. We expected to complete these restructuring actions by the end of 2006. In the fourth quarter of 2006, we identified additional restructuring actions. These restructuring actions included additional downsizing of the

CELESTICA INC.

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workforce to reflect the volume reductions at certain facilities and to reduce overhead costs, which we expected to complete in 2007.

In the fourth quarter of 2007, we identified additional restructuring actions to drive further operational improvements throughout our manufacturing network. These restructuring actions will reduce our workforce and will include the closure of certain facilities. We plan to consolidate the programs from the facilities we close into our other facilities. As we complete these restructuring actions, our overall utilization and operating efficiency should improve, allowing us to service our customers through more cost-effective facilities. As we finalize the detailed plans of these restructuring actions, we will recognize the related charges. We estimate the additional restructuring charges will be in the range of \$50 to \$75 which will be recorded throughout 2008 and 2009. We expect to complete these actions during the second half of 2009.

As of September 30, 2008, we have recorded termination costs, incurred since 2005, relating to approximately 9,000 employees, primarily operations and plant employees. Approximately 8,800 of these employees have been terminated as of September 30, 2008. Approximately 60% of the employee terminations have been in the Americas, 30% in Europe and 10% in Asia. Our lease and other contractual obligations will be paid out over the remaining lease terms through 2010. The restructuring liability is recorded in accrued liabilities.

Details of the 2008 activity are as follows:

	Employee termination costs	Lease and other contractual obligations	Facility exit costs and other	Total accrued liability	Non-cash charge	2008 charge
December 31, 2007	\$ 9.0	\$ 9.7	\$ 0.6	\$ 19.3	\$ 58.7	\$ —
Cash payments	(7.1)	(1.1)	(0.8)	(9.0)	—	—
Provisions	2.4	—	0.4	2.8	0.2	3.0
March 31, 2008	4.3	8.6	0.2	13.1	58.9	3.0
Cash payments	(2.8)	(1.0)	(0.3)	(4.1)	—	—
Provisions	3.2	(0.7)	0.4	2.9	0.1	3.0
June 30, 2008	4.7	6.9	0.3	11.9	59.0	6.0
Cash payments	(9.3)	(1.0)	(0.1)	(10.4)	—	—
Provisions	15.7	0.3	0.1	16.1	0.2	16.3
September 30, 2008	<u>\$ 11.1</u>	<u>\$ 6.2</u>	<u>\$ 0.3</u>	<u>\$ 17.6</u>	<u>\$ 59.2</u>	<u>\$ 22.3</u>

As of September 30, 2008, we have approximately \$23 in assets that are available-for-sale, primarily land and buildings, as a result of the restructuring actions we have implemented. We have programs underway to sell these assets.

(c) Other:

The amounts in 2007 and 2008 are primarily recoveries relating to certain assets previously written off.

5. Pension and non-pension post-employment benefit plans:

We have recorded the following pension expense:

	Three months ended September 30		Nine months ended September 30	
	2007	2008	2007	2008
Pension plans	\$ 4.8	\$ 4.5	\$ 15.1	\$ 14.1
Other benefit plans	1.7	1.6	5.1	5.4
Total expense	<u>\$ 6.5</u>	<u>\$ 6.1</u>	<u>\$ 20.2</u>	<u>\$ 19.5</u>

CELESTICA INC.

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6. Stock-based compensation and other stock-based payments:

We have granted stock options as part of our long-term incentive plans. The estimated fair value of options is amortized to expense over the vesting period, on a straight-line basis, and was determined using the Black-Scholes option pricing model with the following weighted average assumptions:

	Three months ended September 30		Nine months ended September 30	
	2007	2008	2007	2008
Risk-free rate	4.1% – 4.4%	2.8% – 3.3%	4.1% – 4.8%	2.3% – 3.3%
Dividend yield	0.0%	0.0%	0.0%	0.0%
Volatility factor of the expected market price of our shares	35% – 47%	38% – 41%	35% – 52%	38% – 59%
Expected option life (in years)	4.0 – 5.5	4.0 – 5.5	4.0 – 5.5	4.0 – 5.5
Weighted average fair value of options granted	\$2.81	\$2.92	\$2.57	\$3.23

Compensation expense relating to the fair value of options granted for the three and nine months ended September 30, 2008 was \$1.1 and \$5.0, respectively (three and nine months ended September 30, 2007 was \$1.3 and \$4.3, respectively).

Our stock-based compensation plans are described in note 9 to the 2007 annual consolidated financial statements.

## 7. Segment information:

The accounting standards establish the criteria for the disclosure of certain information in the interim and annual financial statements regarding operating segments, products and services and major customers. Operating segments are defined as components of an enterprise for which separate financial information is available that is regularly evaluated by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Our operating segment is comprised of our electronics manufacturing services business. Our chief operating decision maker is our Chief Executive Officer.

- (i) The following table indicates revenue by end market as a percentage of total revenue. Our revenue fluctuates from period to period depending on numerous factors, including but not limited to: seasonality of business; the level of business from new, existing and disengaging customers; the level of program wins or losses; the phasing in or out of programs; and changes in customer demand.

	Three months ended September 30		Nine months ended September 30	
	2007	2008	2007	2008
Consumer	24%	28%	20%	25%
Enterprise communications	26%	25%	29%	26%
Servers	18%	15%	19%	16%
Telecommunications	16%	14%	14%	15%
Storage	10%	10%	11%	10%
Industrial, aerospace and defense	6%	8%	7%	8%

- (ii) For the third quarter and first nine months of 2008, no customer represented more than 10% of total revenue (third quarter of 2007 — one customer; first nine months of 2007 — two customers).

## CELESTICA INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (in millions of U.S. dollars, except per share amounts) (unaudited)

## 8. Supplemental cash flow information:

	Three months ended September 30		Nine months ended September 30	
	2007	2008	2007	2008
Paid during the period:				
Interest (a)	\$ 33.7	\$ 30.2	\$ 74.3	\$ 64.1
Taxes (b)	\$ 6.8	\$ 6.2	\$ 18.7	\$ 14.1

- (a) This includes interest paid on the 2011 and 2013 Notes. Interest on these Notes is payable in January and July of each year until maturity. See notes 3 (b) and (c). The interest paid on the 2011 Notes reflect the amounts received or paid relating to the interest rate swap agreements.

- (b) Cash taxes paid is net of any income taxes recovered.

	December 31 2007	September 30 2008
Cash is comprised of the following:		
Cash (i)	\$ 328.7	\$ 296.2
Short-term investments (i)	788.0	962.0
	<u>\$ 1,116.7</u>	<u>\$ 1,258.2</u>



- (i) Our current portfolio consists of certificates of deposit and certain money market funds which hold exclusively U.S. government securities. The majority of our cash and short-term investments are held with financial institutions each of which has a Standard and Poor's rating of A-1 or above.

## 9. Derivative financial instruments:

- (i) We enter into foreign currency contracts to hedge foreign currency risks relating to cash flow. At September 30, 2008, we had forward exchange contracts covering various currencies in an aggregate notional amount of \$482.1. All derivative financial instruments are recorded at fair value on our consolidated balance sheet. The fair value of these contracts at September 30, 2008 was a net unrealized loss of \$11.5 (December 31, 2007 – net unrealized gain of \$20.0). As of September 30, 2008, \$3.2 of derivative assets are recorded in prepaid and other assets and \$14.7 of derivative liabilities are recorded in accrued liabilities relating to our hedges against foreign currency risks. The decrease in the fair value of these forward exchange contracts for the first nine months of 2008 is due primarily to unrealized losses from the fluctuations in foreign exchange rates in the third quarter of 2008 and the settlement of certain foreign currency forwards with significant gains during the first half of 2008. During the third quarter of 2008, we incurred unrealized losses as a result of fluctuations in foreign exchange rates between the time the currency forward contracts were entered into and the valuation date at quarter end.
- (ii) In connection with the issuance of our 2011 Notes in June 2004, we entered into agreements to swap the fixed rate of interest for a variable interest rate. The notional amount of the agreements is \$500.0. The agreements mature in July 2011. See note 3(c). Payments or receipts under the swap agreements are recorded in interest expense on long-term debt. The fair value of the interest rate swap agreements at September 30, 2008 was an unrealized gain of \$8.9, which is recorded in other long-term assets (December 31, 2007 – unrealized gain of \$8.7). The increase in the fair value of the swap agreements of \$0.2 for the first nine months of 2008 is recorded as a reduction of interest expense on long-term debt.

Fair value hedge ineffectiveness arises when the change in the fair values of our swap agreements, hedged debt obligation and its embedded derivatives, and the amortization of the related basis adjustments, do not offset each other during a reporting period. The fair value hedge ineffectiveness for our 2011 Notes is recorded in interest expense on long-term debt and amounted to a loss of \$0.5 for the first nine months of 2008. This fair value hedge ineffectiveness is driven primarily by the difference in the credit risk used to value our hedged debt obligation as compared to the credit risk used to value our interest rate swaps.

## CELESTICA INC.

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## 10. Shareholders' equity:

	Capital stock	Warrants	Contributed surplus	Deficit
Balance – December 31, 2006	\$ 3,576.6	\$ 8.4	\$ 179.3	\$ (1,696.2)
Change in accounting policy (note 2(ii))	—	—	—	(6.4)
Shares issued	8.6	—	—	—
Warrants cancelled	—	(5.3)	5.3	—
Stock-based compensation costs	—	—	5.1	—
Other	—	—	0.6	—
Net loss for 2007	—	—	—	(13.7)
Balance – December 31, 2007	<u>\$ 3,585.2</u>	<u>\$ 3.1</u>	<u>\$ 190.3</u>	<u>\$ (1,716.3)</u>

	Capital stock	Warrants	Contributed surplus	Deficit
Balance – December 31, 2007	\$ 3,585.2	\$ 3.1	\$ 190.3	\$ (1,716.3)
Shares issued	3.3	—	—	—
Warrants cancelled	—	(3.1)	3.1	—
Stock-based compensation costs	—	—	12.2	—
Other	—	—	0.7	—
Net earnings for the first nine months of 2008	—	—	—	101.7
Balance – September 30, 2008	<u>\$ 3,588.5</u>	<u>\$ —</u>	<u>\$ 206.3</u>	<u>\$ (1,614.6)</u>

	Year ended December 31 2007	Nine months ended September 30 2008
Accumulated other comprehensive income, net of tax:		
Opening balance of foreign currency translation account	\$ —	\$ 35.2
Transitional adjustment – January 1, 2007	26.5	—
Foreign currency translation gain	8.7	2.8
Closing balance	35.2	38.0
Opening balance of unrealized net gain on cash flow hedges	\$ —	\$ 20.7
Transitional adjustment – January 1, 2007	(0.5)	—
Net gain (loss) on cash flow hedges (1)	37.5	(9.0)

Net gain on cash flow hedges reclassified to operations (2)	(16.3)	(21.5)
Closing balance(3)	20.7	(9.8)
Accumulated other comprehensive income	<u>\$ 55.9</u>	<u>\$ 28.2</u>

- (1) Net of income tax benefit of \$0.9 and \$0.2, respectively, for the three and nine months ended September 30, 2008 (\$0.2 income tax expense for 2007).  
(2) Net of income tax benefit of \$0.2 and \$0.8, respectively, for the three and nine months ended September 30, 2008 (no income tax for 2007).  
(3) Net of income tax benefit of \$0.8 as of September 30, 2008 (\$0.2 income tax expense as of December 31, 2007).

We expect that the majority of the losses on cash flow hedges reported in accumulated other comprehensive income at September 30, 2008 will be reclassified to operations during the next 12 months.

#### 11. Guarantees and contingencies:

We have contingent liabilities in the form of letters of credit, letters of guarantee, and surety and performance bonds which we have provided to various third parties. These guarantees cover various payments, including customs and excise taxes, utility commitments and certain bank guarantees. At September 30, 2008, these contingent liabilities amounted to \$68.3 (December 31, 2007 – \$74.4).

In addition to the above guarantees, we have also provided routine indemnifications, the terms of which range in duration and often are not explicitly defined. These may include indemnifications against adverse impacts due to

## CELESTICA INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (in millions of U.S. dollars, except per share amounts) (unaudited)

changes in tax laws and patent infringements by third parties. We have also provided indemnifications in connection with the sale of certain businesses and real property. The maximum potential liability from these indemnifications cannot be reasonably estimated. In some cases, we have recourse against other parties to mitigate our risk of loss from these indemnifications. Historically, we have not made significant payments relating to these types of indemnifications.

#### Litigation:

In the normal course of our operations, we are subject to litigation and claims from time to time. We may also be subject to lawsuits, investigations and other claims, including environmental, labor, product, customer disputes and other matters. Management believes that adequate provisions have been recorded in the accounts where required. Although it is not possible to estimate the extent of potential costs, if any, management believes that the ultimate resolution of such contingencies will not have a material adverse impact on our results of operations, financial position or liquidity.

In 2007, securities class action lawsuits were commenced against us and our former Chief Executive and Chief Financial Officers, in the United States District Court of the Southern District of New York by certain individuals, on behalf of themselves and other unnamed purchasers of our stock, claiming that they were purchasers of our stock during the period January 27, 2005 through January 30, 2007. The plaintiffs allege violations of United States federal securities laws and seek unspecified damages. They allege that during the purported class period we made statements concerning our actual and anticipated future financial results that failed to disclose certain purportedly material adverse information with respect to demand and inventory in our Mexican operations and our information technology and communications divisions. In an amended complaint, the plaintiffs have added one of our directors and Onex Corporation as defendants. A parallel class proceeding has also been issued against us and our former Chief Executive and Chief Financial Officers, in the Ontario Superior Court of Justice, but neither leave nor certification of the action has been granted by that court. We believe that the allegations in these claims are without merit and we intend to defend against them vigorously. However, there can be no assurance that the outcome of the litigation will be favorable to us or will not have a material adverse impact on our financial position or liquidity. In addition, we may incur substantial litigation expenses in defending these claims. We have liability insurance coverage that may cover some of the expense of defending these cases, as well as potential judgments or settlement costs.

#### Income taxes:

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

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

#### 12. Financial instruments - financial risks:

We have exposures to the following financial risks arising from financial instruments.

(a) *Currency risk:* See note 15(a) to the 2007 annual consolidated financial statements. Due to the nature of our international operations, we are exposed to exchange rate fluctuations on our financial instruments denominated in

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various foreign currencies. Our major currency exposures, as of September 30, 2008, are summarized in USD equivalents in the following table. The local currency amounts have been converted to USD equivalents using the spot rates as of September 30, 2008.

	Euro	Chinese renminbi	Canadian dollar	Brazilian real
Cash and cash equivalents	\$ 6.0	\$ 37.9	\$ 78.6	\$ 3.0
Accounts receivable	1.0	38.9	0.1	34.3
Other financial assets (i)	477.2	5.2	7,447.1	30.3
Accounts payable and accrued liabilities	(5.8)	(20.1)	(61.2)	(3.7)
Other financial liabilities (i)	(477.7)	(2.1)	(7,447.1)	(15.3)
Net financial assets	\$ 0.7	\$ 59.8	\$ 17.5	\$ 48.6

(i) This includes foreign currency denominated inter-company loans.

A one-percentage point strengthening or weakening of the following currencies against the U.S. dollar for our financial instruments denominated in non-functional currencies as of September 30, 2008 has the following impact:

	Euro	Chinese renminbi	Canadian dollar	Brazilian real
	<b>Increase (decrease)</b>			
<b>1% Strengthening</b>				
Net earnings	\$ —	\$ 0.6	\$ 0.2	\$ 0.5
Other comprehensive income	(0.1)	—	1.8	—
<b>1% Weakening</b>				
Net earnings	—	(0.6)	(0.2)	(0.5)
Other comprehensive income	0.1	—	(1.8)	—

(b) *Interest rate risk:* See note 15(b) to the 2007 annual consolidated financial statements. We are exposed to interest rate risks due to fluctuations in the LIBOR rate. A one-percentage point increase in the LIBOR rate would increase interest expense by \$5.0 annually.

(c) *Credit risk:* See notes 2(e), 15(c) and 18 to the 2007 annual consolidated financial statements. Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss to us. To mitigate the risk of financial loss from defaults, we have entered into foreign currency forward contracts and interest rate swap agreements with financial institutions each of which has a current Standard and Poor's rating of A+ or above.

The carrying amount of financial assets recorded in the financial statements, net of any allowances or reserves for losses, represents our estimate of maximum exposure to credit risk. As of September 30, 2008, less than 1% of our gross accounts receivable are over 90 days past due. Accounts receivable are net of an allowance for doubtful accounts of \$14.3 at September 30, 2008 (December 31, 2007 – \$21.5).

(d) *Liquidity risk:* See note 15(d) to the 2007 annual consolidated financial statements. The majority of our financial liabilities recorded in accounts payable and accrued liabilities are due within 90 days. The repayment schedule of our long-term debt obligations is included in note 7 to the 2007 annual consolidated financial statements. Our foreign currency forward contracts generally extend for periods ranging from one to 12 months. See note 15 to the 2007 annual consolidated financial statements.

### 13. Capital management:

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

## CELESTICA INC.

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We manage our capitalization levels and make adjustments, as available, for changes in economic conditions. We have full access to a \$300.0 credit facility and we can sell up to \$250.0, on a committed basis, under an accounts receivable sales program to provide short-term liquidity. Our credit facility has restrictive covenants relating to debt incurrence and the sale of assets. The facility also contains financial covenants that may limit the available amount of debt that can be incurred under the facility. We closely monitor our business performance to evaluate compliance with our covenants. Our 2011 and 2013

Notes also have restrictions on financing activities. We continue to monitor and review the most cost-effective methods for raising capital, taking into account these restrictions and covenants.

There were no significant changes to our capital structure during the first nine months of 2008. We have not distributed, nor do we currently plan to distribute, any dividends to our shareholders.

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

## CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Craig H. Muhlhauser, certify that:

1. I have reviewed this report on Form 6-K of Celestica Inc., which constitutes a quarterly report of the company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the company's internal control over financial reporting that occurred during the

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company's most recent fiscal quarter (the company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of company's board of directors (or persons performing the equivalent function):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: October 29, 2008

/s/ Craig H. Muhlhauser

Craig H. Muhlhauser

Chief Executive Officer

## CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Paul Nicoletti, certify that:

1. I have reviewed this report on Form 6-K of Celestica Inc., which constitutes a quarterly report of the company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the company's internal control over financial reporting that occurred during the

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company's most recent fiscal quarter (the company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of company's board of directors (or persons performing the equivalent function):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: October 29, 2008

/s/ Paul Nicoletti

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Paul Nicoletti

Chief Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

Each of the undersigned hereby certifies, in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in his capacity as an officer of Celestica Inc. (the "Company"), that the quarterly report of the Company included in the Form 6-K for the period ended September 30, 2008, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

October 29, 2008

/s/ Craig H. Muhlhauser

Craig H. Muhlhauser  
Chief Executive Officer

October 29, 2008

/s/ Paul Nicoletti

Paul Nicoletti  
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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