

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 20-F

- Registration statement pursuant to Section 12(b) or (g) of the Securities Exchange Act of 1934
or
 Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2007
or
 Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
or
 Shell company report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of event requiring this shell company report:

Commission file number: 1-14832

CELESTICA INC.

(Exact name of registrant as specified in its charter)

Ontario, Canada

(Jurisdiction of incorporation or organization)

**12 Concorde Place, 5th Floor
Toronto, Ontario, Canada M3C 3R8**
(Address of principal executive offices)

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

Subordinate Voting Shares
(Title of Class)

The Toronto Stock Exchange
New York Stock Exchange
(Name of each Exchange on which Registered)

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

N/A

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

N/A

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

199,228,966 Subordinate Voting Shares

0 Preference Shares

29,637,316 Multiple Voting Shares

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

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

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

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PART I

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

In this Annual Report, all dollar amounts are expressed in United States dollars, except where we state otherwise. All references to "U.S.\$" or "\$" are to U.S. dollars and all references to "C\$" are to Canadian dollars. Unless we indicate otherwise, any reference in this Annual Report to a conversion between U.S.\$ and C\$ is a conversion at the average of the exchange rates in effect for the year ended December 31, 2007. During that period, based on the relevant noon buying rates in New York City for cable transfers in Canadian dollars, as certified for customs purposes by the Federal Reserve Bank of New York, the average daily exchange rate was U.S.\$1.00 = C\$1.0742

Unless we indicate otherwise, all information in this Annual Report is stated as of February 25, 2008, the date as of which we prepared information for our annual report to shareholders and management information circular and proxy statement.

Forward-Looking Statements

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

Forward-looking statements are not guarantees of future performance. You should understand that the following important factors, in addition to those discussed in Item 3, "Key Information — Risk Factors," and elsewhere in this Annual Report, could affect our future results and could cause those results to differ materially from those expressed in such forward-looking statements: the effects of price competition and other business and competitive factors generally affecting the electronics manufacturing services (EMS) industry; our dependence on a limited number of customers; the challenges of effectively managing our operations during uncertain economic conditions; variability of operating results among periods; the challenge of responding to lower-than-expected customer demand; 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 delays in the delivery and/or general availability of various components used in the manufacturing process.

Our forward-looking statements are also 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 may involve factors that are beyond the control of the Company. The material assumptions may include, assumptions regarding the following: forecasts from our customers, which range from 30 days to 90 days; general economic and market conditions; currency exchange rates; product pricing levels and competition; anticipated customer demand; supplier performance and pricing; operational and financial matters; technological developments; and the execution of our restructuring plan. These assumptions are based on management's current views with respect to current plans and events, and are and will be subject to the risks and uncertainties discussed above. Forward-looking statements are provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that such information may not be appropriate for other purposes.

Except as required by applicable law, we disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should read this Annual Report and the documents, if any, that we incorporate by reference with the understanding that the

actual future results may be materially different from what we expect. We may not update these forward-looking statements, even if our situation changes in the future. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

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

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

| | Year ended December 31 | | | | |
|--|---|---------------------|---------------------|---------------------|---------------------|
| | 2003 ⁽¹⁾ | 2004 ⁽¹⁾ | 2005 ⁽¹⁾ | 2006 ⁽¹⁾ | 2007 ⁽¹⁾ |
| | (in millions, except per share amounts) | | | | |
| Consolidated Statements of Operations Data (Canadian GAAP): | | | | | |
| Revenue | \$ 6,735.3 | \$ 8,839.8 | \$ 8,471.0 | \$ 8,811.7 | \$ 8,070.4 |
| Cost of sales | 6,475.2 | 8,431.9 | 7,989.9 | 8,359.9 | 7,648.0 |
| Gross profit | 260.1 | 407.9 | 481.1 | 451.8 | 422.4 |
| Selling, general and administrative expenses ⁽²⁾ | 273.8 | 331.6 | 296.9 | 285.6 | 295.1 |
| Amortization of intangible assets | 48.5 | 34.6 | 28.4 | 27.0 | 21.3 |
| Integration costs related to acquisitions ⁽³⁾ | — | 3.1 | 0.6 | 0.9 | 0.1 |
| Other charges ⁽⁴⁾ | 151.6 | 603.2 | 130.9 | 211.8 | 47.6 |
| Accretion of convertible debt | 23.4 | 17.6 | 7.6 | — | — |
| Interest expense (income), net ⁽⁵⁾ | (4.0) | 19.7 | 42.2 | 62.6 | 51.2 |
| Earnings (loss) before income taxes | (233.2) | (601.9) | (25.5) | (136.1) | 7.1 |
| Income tax expense ⁽⁶⁾ | 33.5 | 252.2 | 21.3 | 14.5 | 20.8 |
| Net loss | \$ (266.7) | \$ (854.1) | \$ (46.8) | \$ (150.6) | \$ (13.7) |
| Other Financial Data: | | | | | |
| Basic loss per share | \$ (1.23) | \$ (3.85) | \$ (0.21) | \$ (0.66) | \$ (0.06) |
| Diluted loss per share | \$ (1.23) | \$ (3.85) | \$ (0.21) | \$ (0.66) | \$ (0.06) |
| Property, plant and equipment expenditures | \$ 175.9 | \$ 142.2 | \$ 158.5 | \$ 189.1 | \$ 63.7 |
| Consolidated Statements of Operations Data (U.S. GAAP)⁽⁷⁾: | | | | | |
| Net loss | \$ (269.2) | \$ (867.5) | \$ (42.8) | \$ (149.3) | \$ (16.1) |
| Shares used in computing per share amounts (in millions): | | | | | |
| Basic | 216.5 | 222.1 | 226.2 | 227.2 | 228.9 |
| Diluted | 216.5 | 222.1 | 226.2 | 227.2 | 228.9 |

As at December 31

| | 2003 ⁽¹⁾ | 2004 ⁽¹⁾ | 2005 ⁽¹⁾ | 2006 ⁽¹⁾ | 2007 ⁽¹⁾ |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| | (in millions) | | | | |
| Consolidated Balance Sheet Data (Canadian GAAP): | | | | | |
| Cash and cash equivalents | \$ 1,028.8 | \$ 968.8 | \$ 969.0 | \$ 803.7 | \$ 1,116.7 |
| Working capital ⁽⁸⁾ | \$ 1,513.6 | \$ 1,458.3 | \$ 1,488.1 | \$ 1,394.9 | \$ 1,553.0 |
| Property, plant and equipment | \$ 667.3 | \$ 555.4 | \$ 531.1 | \$ 553.6 | \$ 466.0 |
| Total assets | \$ 5,137.4 | \$ 4,939.8 | \$ 4,857.8 | \$ 4,686.3 | \$ 4,470.5 |
| Total long-term debt, including current portion ⁽⁹⁾ | \$ 213.9 | \$ 627.5 | \$ 751.4 | \$ 750.8 | \$ 758.5 |
| Shareholders' equity | \$ 3,255.9 | \$ 2,488.8 | \$ 2,214.4 | \$ 2,094.6 | \$ 2,118.2 |

Consolidated Balance Sheet Data (U.S. GAAP)⁽⁷⁾:

| | | | | | |
|---|------------|------------|------------|------------|------------|
| Total assets | \$ 5,182.2 | \$ 4,988.7 | \$ 4,876.2 | \$ 4,708.1 | \$ 4,485.8 |
| Total long-term debt, including current portion | \$ 626.4 | \$ 846.1 | \$ 751.4 | \$ 750.8 | \$ 757.2 |
| Shareholders' equity | \$ 2,844.4 | \$ 2,257.6 | \$ 2,176.9 | \$ 1,960.4 | \$ 1,996.5 |

(1) Changes in accounting policies:

- (i) Effective January 1, 2004, we retroactively adopted the CICA Handbook Section 3110, which requires the recognition of liabilities for asset retirement obligations and the associated retirement costs, and have retroactively restated our results of operations for prior periods. The impact to our cost of sales and net loss for Canadian GAAP for 2004 was \$0.9 million (2003 — \$0.9 million).
- (ii) Effective December 31, 2004, we adopted the amendment to CICA Handbook Section 3860, "Financial instruments — presentation and disclosure." The revised standard requires obligations of a fixed amount that may be settled, at the issuer's option, by a variable number of the issuer's own equity instruments to be presented as liabilities. The standard was effective on a retroactive basis with restatement of prior periods. As a result of adopting this standard, we reclassified the principal component of our Liquid Yield Option™ Notes due 2020 (LYONs) in 2004 as a debt instrument and recorded all accretion charges, amortization of deferred financing costs, gains and losses on repurchases relating to the principal component and related tax effects as charges to operations. The option component of the LYONs continued to be accounted for as an equity instrument. The remaining LYONs were redeemed in the third quarter of 2005.

As at
December 31

| | 2003 | 2004 |
|---|---------------|----------|
| | (in millions) | |
| (a) Reclassified from equity to debt | \$ 210.5 | \$ 124.1 |
| (b) Reclassified deferred financing costs from equity to other assets | \$ 2.8 | \$ 1.3 |
| (c) Reduced deferred income tax assets and equity | \$ 1.9 | \$ 1.9 |

Year ended
December 31

| | 2003 | 2004 |
|---|---------------|-----------|
| | (in millions) | |
| (d) Recorded accretion charges and amortization of deferred financing costs, net of tax | \$ 16.1 | \$ 12.0 |
| (e) Reclassified gain on repurchases of LYONs and related tax from equity to other charges and tax expenses, net of tax | \$ (16.1) | \$ (22.0) |

- (iii) Effective January 1, 2007, we adopted the new standards issued by the CICA 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," were effective for our first quarter of 2007. We were not required to restate prior results.

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

The consolidated statements of operations data for:

- 2004, 2005, 2006 and 2007 include the results of operations of Manufacturers' Services Limited (MSL) acquired in March 2004 and certain assets of NEC Corporation in the Philippines acquired in April 2004;
- 2005, 2006 and 2007 includes the results of operations of Ramnish Electronics Private Limited acquired in July 2005, CoreSim Inc. acquired in August 2005 and Displaytronix Inc. acquired in November 2005; and
- 2006 and 2007 includes the results of operations of certain assets of Powerwave Technologies, Inc. acquired in March 2006.

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

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

(4) In 2003, Other charges totaled \$151.6 million, comprised primarily of: (a) a \$94.9 million restructuring charge; and (b) a non-cash write-down of \$82.8 million relating to the annual impairment assessment of long-lived assets, primarily intangible assets and property, plant and equipment; offset, in part, by (c) a \$23.8 million gain on repurchase of LYONs.

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

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

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

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

(5) Interest expense (income), net is comprised of interest expense incurred on indebtedness and debt facilities, less interest income earned on cash and cash equivalents. As a result of adopting the new standards on financial instruments and hedges in 2007, we have marked-to-market the embedded prepayment options in our debt instruments and have applied fair value hedge accounting to our interest rate swaps and our hedged debt obligation (77/8% Senior Subordinated Notes due 2011). The change in these fair values is recorded in interest expense. The marked-to-market adjustment fluctuates as it is dependent on market conditions. For 2007, we reduced interest expense by \$0.6 million.

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

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

- For 2003 and 2004: interest and deferred taxes on convertible debt classified as a long-term liability rather than as a bifurcated instrument, impairment on certain long-lived assets, gain (loss) on repurchase of convertible debt, and the adoption of fair-value accounting for stock-based compensation for Canadian GAAP only;
- For 2003: net loss in accordance with U.S. GAAP is after the cumulative effect of a change in accounting policy;

- For 2005: interest on convertible debt classified as a long-term liability rather than as a bifurcated instrument, reversal of deferred taxes on convertible debt, loss on repurchase of convertible debt, and the adoption of fair-value accounting for stock-based compensation for Canadian GAAP only;
- For 2006: the transition adjustment resulting from adopting the fair-value accounting for stock-based compensation for U.S. GAAP in 2006; and
- For 2007: the transition adjustment resulting from adopting the new standards on financial instruments, hedges and comprehensive income for Canadian GAAP in 2007.

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

- (8) Calculated as current assets less current liabilities.
- (9) Long-term debt includes capital lease obligations and the principal component of convertible debt instruments. For convertible debt amounts see footnote (1)(ii)(a). All remaining LYONs were redeemed in the third quarter of 2005.

Exchange Rate Information

The rate of exchange as of February 25, 2008 for the conversion of Canadian dollars into United States dollars was U.S.\$0.9982 and for the conversion of United States dollars into Canadian dollars was C\$1.0018. The following table sets forth the exchange rates for the conversion of U.S.\$1.00 into Canadian dollars for the following periods. The rates of exchange set forth herein are shown as, or are derived from, the reciprocals of the noon buying rates in New York City for cable transfers payable in Canadian dollars, as certified for customs purposes by the Federal Reserve Bank of New York. The source of this data is the Federal Reserve Bank of New York's website (<http://www.ny.frb.org>).

| | 2003 | | 2004 | | 2005 | | 2006 | | 2007 | |
|------------------------|---------------|--|--------------|--|---------------|--|---------------|--|--------------|--|
| Average ⁽¹⁾ | 1.3916 | | 1.2984 | | 1.2083 | | 1.1307 | | 1.0665 | |
| | February 2008 | | January 2008 | | December 2007 | | November 2007 | | October 2007 | |
| High | 1.0188 | | 1.0294 | | 1.0216 | | 1.0007 | | 1.0002 | |
| Low | 0.9717 | | 0.9905 | | 0.9784 | | 0.9168 | | 0.9496 | |

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

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for Offer and Use of Proceeds

Not applicable.

D. Risk Factors

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

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

We recorded losses in each of the last seven years resulting primarily from restructuring charges and the write-down of goodwill and long-lived assets. These amounts have varied from period to period. In 2004, we also recorded a write-down of accounts receivable for one specific customer. To the extent that our Company's market capitalization is less than our book value for a sustained period of time, it could be an indicator that an impairment of goodwill has occurred. We have undertaken numerous initiatives to restructure and reduce our capacity and cost structures in response to changes in the EMS industry and end-market demand, with the intention of improving utilization and realizing cost savings in the future. We will continue to evaluate our operations and may propose additional restructuring actions in the future. Any failure to successfully execute these initiatives, including any delay in effecting these initiatives, can have a material adverse impact on our results. Furthermore, we may not be profitable in future periods.

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

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

Some of our competitors have a greater production presence in lower-cost geographies, as well as greater manufacturing, financial, procurement, research and development and marketing resources than we have. Accordingly, our current or potential competitors may develop or acquire services comparable or superior to those we develop, combine or merge to form larger competitors, or adapt more quickly than we will to new technologies, evolving industry trends and changing customer requirements. Competition has caused and may continue to cause excessive pricing pressures, increased working capital requirements, reduced profit or loss of market share (from both program and customer disengagements), any of which could materially and adversely affect us. In addition, the EMS industry has excess manufacturing capacity and has seen increased competition from Asian competitors. This has exerted and will continue to exert additional pressures on pricing for components and services, thereby increasing the competitive pressures in the EMS industry. We may not be able to compete successfully against our current and future competitors, and the competitive pressures we face may have a material adverse effect on us.

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

The end markets we serve can experience major swings in demand which, in turn, can significantly impact our operations. Our financial performance depends on our customers' ability to compete and succeed in their markets.

Many of our customers are in the communications and computing industries, which are characterized by rapid changes in technologies, increased standardization of technologies and shortening of product lifecycles. These industries have experienced severe revenue erosion, pricing and margin pressures, and excess inventories during the past few years. We have recently increased the amount of our business in the consumer segment, which can also face similar pressures.

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

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

A decline in revenue from these customers or a loss of a large customer could have a material adverse affect on our financial condition and results of operations. Our two largest customers in 2007 were Cisco Systems and Sun Microsystems, each of which represented more than 10% of our total 2007 revenue and in aggregate represented 21% of our total 2007 revenue. Our top 10 customers in 2007 represented 61% of our total 2007 revenue. Our two largest customers in 2006 were Cisco Systems and IBM, each of which represented 10% of total 2006 revenue and in aggregate represented 20% of total 2006 revenue. Our top 10 customers in 2006 represented 61% of our total 2006 revenue. We expect to continue to depend upon a relatively small number of customers for a significant percentage of our revenue. To reduce this reliance, we have been targeting new

customers and new business opportunities in our traditional segments, as well as newer markets such as industrial, aerospace and defense markets.

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

In addition, some of our customers routinely reduce or delay the volume of manufacturing services ordered from us. There is no assurance that present or future large customers will not terminate their manufacturing arrangements with us or significantly change, reduce, or delay the volume of manufacturing services they order from us, any of which would adversely affect our operating results. Significant reductions in, or the loss of, revenue from any of our large customers would have a material adverse effect on us.

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

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

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

Changes in customers' orders could also cause a delay in the repayment to us for inventory expenditures we incurred in preparation for the customer's orders or, in certain circumstances, require us to return the inventory to our suppliers, re-sell the inventory or continue to hold the inventory, any of which may result in our taking additional provisions for the inventory should it become excess or obsolete. Order cancellations and delays could also lower our asset utilization, resulting in higher levels of unproductive assets and lower margins. In some cases, changes in circumstances for a customer could also negatively impact the collectability of receivables or carrying value of our inventory for that customer. On other occasions, customers have required rapid and sudden increases in production, which have placed an excessive burden on our manufacturing capacity. Rapid changes in product ramps and/or the weakening financial condition or deterioration of any single customer's financial condition could prevent us from collecting receivables or realizing the value of inventory on hand. Any of these factors or a combination of these factors could have a material adverse effect on our results of operations.

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

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

- lack of trained personnel to manage the operations and customer contracts appropriately;
- maintaining customer, supplier and other favorable business relationships during a period of transition;
- effective training of staff to manage new customers and products;

- unanticipated disruptions in our operations which may impact our ability to deliver to the customer on time, to produce quality products and to ensure overall customer satisfaction; and
- losing programs and customers who reduce their business risk by re-sourcing or dual/multi sourcing their business with us due to unforeseen disruptions in our operations.

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

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

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

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

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

Many of our customers compete in markets that are characterized by rapidly changing technology, evolving industry standards and continuous improvements in products and services. These conditions frequently result in short product lifecycles. Our success will depend largely on the success achieved by our customers in developing and marketing their products. If technologies or standards supported by our customers' products become obsolete or fail to gain widespread commercial acceptance, our business could be materially adversely affected. In addition, an accelerating decline in end-market demand for customer-specific proprietary systems in favor of open systems with standardized technologies could have a material adverse impact on our business.

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

We have operations in multiple regions around the world. As a result, we are subject to different regulatory requirements and labor laws governing how quickly we are able to reduce manufacturing capacity and terminate related employees. These requirements are particularly stringent in Europe. Restrictions on our ability to close under-performing facilities have resulted in higher expenses associated with carrying excess capacity and infrastructure while we were conducting our restructuring activities. The speed of our restructuring can also be impeded by delays from our customers related to the timing of their product transfers, which can prevent us from transferring products to our other facilities in a timely and cost-effective manner. Since the restructuring of our plants requires some of our customers to move their production from one of our facilities to another, customers have, and may in the future, use this opportunity to shift their production to competitors' facilities.

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

We have facilities in numerous countries, including Brazil, China, the Czech Republic, India, Ireland, Japan, Malaysia, Mexico, the Philippines, Romania, Singapore, Spain and Thailand. During 2007, approximately two-thirds of our revenue was produced from locations outside of North America. We also purchase material from international suppliers for much of our business, including our North American business. We believe that our future growth depends largely on our ability to increase our business and penetration with global OEMs and, as we describe above, to continue to shift production to lower-cost geographies.

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

- labor unrest and differences in regulations and statutes governing employee relations;

- changes in regulatory requirements;
- difficulties in staffing and managing foreign sales and support operations;
- ability to build infrastructure or new facilities on schedule to support operations;
- changes in local tax rates and other potentially adverse tax consequences, including the cost of repatriation of earnings;
- burdens of complying with a wide variety of foreign laws, including changing import and export regulations, which could erode our profit margins or restrict exports;
- adverse changes in trade policies between countries in which we maintain operations;
- political instability;
- potential restrictions on the transfer of funds;
- inflexible employee contracts that restrict our flexibility in responding to business downturns; and
- foreign exchange risks.

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

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

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

Our results can be affected by limited availability of components.

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

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

We rely on a variety of common carriers for the transportation of materials and products and for their ability to route these materials and products through various international ports. A work stoppage, strike or

shutdown of any important supplier's facility or operations, or at any major port or airport, could result in manufacturing and shipping delays or expediting charges, which could have a material adverse effect on our results of operations. Natural disasters such as tsunamis and earthquakes, and the severe and dramatic change to historical weather patterns in the regions where our facilities or our suppliers' facilities are located, could have an adverse impact on our ability to deliver products to our customers. Such events could disrupt supply to us, and from us to our customers, and adversely affect our operations.

We face financial risks due to foreign currency fluctuations.

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

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

We are continually investing in training, business process and information technology tools to eliminate waste, increase quality and reduce defects in the manufacturing process. This investment is critical in our industry, as our customers require us to continually produce cost savings through the elimination of waste and improved efficiencies. Failure to deliver these cost savings could affect our relationships with our customers in a manner which would adversely affect our volumes and operating results. The deployment of Lean and Six Sigma initiatives is part of the roadmap we are using to improve our own operating margins. Failure to achieve the anticipated benefits could have a negative impact on our margin improvement.

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

We generally provide payment terms ranging from 30 to 60 days. As a result, we generate significant accounts receivable from sales to our customers, historically representing 22% to 39% of current assets. Accounts receivable from sales to customers at December 31, 2007 were \$941.2 million (December 31, 2006 — \$973.2 million; and December 31, 2005 — \$982.6 million). At December 31, 2007, no customer represented more than 10% of total accounts receivable (December 31, 2006 — no customer represented more than 10% of total accounts receivable; and December 31, 2005 — one customer represented 12% of total accounts receivable). If any of our customers has insufficient liquidity, we could encounter significant delays or defaults in payments owed to us by customers, and may extend our payment terms or restructure the debt, which could have a significant adverse impact on our financial condition and results of operations. We regularly review our accounts receivable valuations and make adjustments when necessary. Our allowance for doubtful accounts at December 31, 2007 was \$21.5 million (December 31, 2006 — \$21.4 million; and December 31, 2005 — \$21.1 million), which represented 2% of the gross accounts receivable balance (December 31, 2006 — 2%; and December 31, 2005 — 2%). In addition, payment terms could change which may adversely affect our financial results.

Implementation of new information systems could adversely impact our results.

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

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

In certain of our sales contracts, we provide warranties against defects or deficiencies in our products, services or designs. A successful claim for damages arising as a result of such defects or deficiencies, for which we are not insured or where the damages exceed our insurance coverage, or any material claim for which insurance coverage is denied or limited and for which indemnification is not available, could have a material adverse effect on our business, results of operations and financial condition.

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

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

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

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

Taxation authorities could challenge the validity of our related party financing and related party transfer pricing policies. Such a challenge generally involves a subjective area of taxation and generally involves a significant degree of judgement. If any of these taxation authorities is successful in challenging our financing or transfer pricing policies, our income tax expense may be adversely affected and we could also be subjected to interest and penalty charges. In connection with tax audits in the United States, tax authorities had asserted that our United States subsidiaries owed significant amounts of tax, interest and penalties arising from related party transactions. A significant portion of these asserted deficiencies were resolved in our favor in the fourth quarter of 2006 and the remaining deficiencies were resolved in our favor in the third quarter of 2007. 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 related party transactions. The successful pursuit of that assertion could result in that subsidiary owing significant amounts of tax, interest and possibly penalties. We believe that we have substantial defenses to the asserted position and have adequately accrued for any probable potential adverse tax impact. However, there can be no assurance as to the final resolution of this claim and any resulting proceedings, and if this claim and any ensuing proceedings are determined adversely against us, the amounts we may be required to pay could be material.

Recently enacted changes and potential future changes in the securities laws and regulations, including accounting standard changes, have and can increase our general operating costs.

In the United States, the U.S. regulators introduced the Sarbanes-Oxley Act in 2002 and, in Canada, amendments to the Ontario Securities Act came into affect in 2006. This legislation has required us to change some of our corporate governance, securities disclosure and compliance practices. Compliance with these laws has increased our legal, financial and accounting costs, and we expect these increased costs to continue indefinitely. In addition, the Canadian Accounting Standards Board has decided to adopt the International Financial Reporting Standards effective 2011.

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

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

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

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

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

We continue to evaluate the advantages and feasibility of new manufacturing processes. Our future success will depend, in part, upon our ability to continually develop and market electronics manufacturing services that meet our customers' evolving needs. This could entail investing in new processes or equipment to support new technologies used in our customers' current or future products, and to support their supply chain processes. Our manufacturing and supply chain processes, test development efforts and design capabilities may not be successful.

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

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

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

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

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

Future growth in our revenue includes a dependence on new outsourcing opportunities in which we assume additional manufacturing and supply chain management responsibilities from OEMs. Our future growth will be limited to the extent that these opportunities are not available as a result of OEMs deciding to perform these functions internally or delaying their decision to outsource or our inability to win new contracts. Political pressure or negative sentiment by our customers' customers to the movement of production from the United States or the European Union to lower-cost geographies could also potentially adversely affect the rate

of outsourcing generally, or adversely affect the rate of outsourcing to EMS providers, such as Celestica, who have shifted substantial capacity to these lower-cost geographies.

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

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

- integrating acquired operations, systems and businesses;
- maintaining customer, supplier or other favorable business relationships of acquired operations and restructuring or terminating unfavorable relationships;
- addressing unforeseen liabilities of acquired businesses;
- losing customers who want to transfer their business because of the change in ownership;
- losing key employees of acquired operations; and
- not achieving anticipated business volumes.

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

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

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

Our compliance with environmental laws could be costly.

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

Certain environmental laws impose liability for the costs of removal or remediation of hazardous or toxic substances on an owner, occupier or operator of real estate, even if such person or company was unaware of or not responsible for the presence of such substances.

Some of our operating sites have a history of industrial use. As a result of past operations, soil and groundwater contamination could have occurred. From time to time we investigate, remediate, and monitor soil

and groundwater contamination at certain of our operating sites. In certain instances, where soil or groundwater contamination existed prior to our ownership or occupation of a site, landlords or former owners have typically retained some contractual responsibility and liability for the contamination and its remediation. However, failure of such former owners or landlords to perform, as a result of financial inability, contractual limitations or otherwise, could result in our company being required to remediate such contamination.

We have generally obtained environmental assessments, or reviewed recent assessments initiated by others, for most of the manufacturing facilities that we own or lease at the time we either acquired or leased such facilities. Our assessments may not reveal all environmental liabilities and current assessments were not available for all facilities. Consequently, there may be material environmental liabilities of which we are not aware. In addition, ongoing clean up and containment operations may not be adequate for purposes of future laws. The conditions of our properties could be affected in the future by the condition of the land or operations in the vicinity of the properties, such as the presence of underground storage tanks. These developments and others, such as increasingly stringent environmental laws, increasingly strict enforcement of environmental laws by governmental authorities, or claims for damage to property or injury to persons resulting from the environmental, health or safety impact of our operations, may cause us to incur significant costs and liabilities that could have a material adverse effect on us.

Global environmental legislation continues to emerge. These laws place increased responsibility and requirements on the "producers" of electronic equipment (i.e., the OEMs) and, in turn, their EMS providers and suppliers. In 2006, the European Union's Restriction of Hazardous Substances (RoHS), which restricts the use of lead and certain other specified substances in electronic products in the European Union, came into effect. Where appropriate, we have transitioned our manufacturing processes and interfaced with suppliers and customers to conform to RoHS requirements. Noncompliance with the RoHS requirements could potentially result in substantial costs, including fines and penalties, as well as liability to our customers. The electronics industry is also subject to the European Union's requirements with respect to the collection, recycling and the management of waste for electronic products and components. Under the European Union's Waste Electrical and Electronic Equipment (WEEE) directive, compliance responsibility rests primarily with OEMs rather than with EMS companies. However, OEMs may turn to EMS companies for assistance in meeting their WEEE obligations. Failure by our customers to meet the RoHS or WEEE requirements or obligations could have a negative impact on their businesses and revenue which would adversely impact our financial results. Similar restrictions are being proposed or enacted in other jurisdictions, including several states in the United States and in the Peoples' Republic of China. We continue to monitor other emerging environmental legislation, such as the European Union's Registration, Evaluation and Authorization of Chemicals (REACH) and Energy Using Product (EuP) directives, that may impact the industry going forward. We cannot currently assess the impact of these legislations on our operations.

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

Our outstanding credit agreement, the indenture related to our 7⁷/₈% Senior Subordinated Notes due 2011 (2011 Notes) and the indenture related to our 7⁵/₈% Senior Subordinated Notes due 2013 (2013 Notes) contain financial and operating covenants that limit our management's discretion with respect to certain business matters. Among other things, these covenants restrict our ability and our subsidiaries' ability to incur additional debt, create liens or other encumbrances, change the nature of our business, sell or otherwise dispose of assets, make restricted payments such as dividends, repurchase our stock, and merge or consolidate with other entities. At February 25, 2008, we were in compliance with these covenants. At December 31, 2007, we had approximately \$240 million of available credit under our credit facility based on the required financial ratios.

We are exposed to interest rate fluctuations.

The primary objectives of our investment activities are to preserve principal and to maximize yields without significantly increasing risk or materially restricting short-term access to cash. To achieve these objectives, we maintain our portfolio of cash equivalents in a variety of securities, including certificates of deposit and money market funds. As of December 31, 2007, our entire portfolio was scheduled to mature in less than three months.

As a result, a 10% change in interest rates would not have a material effect on the fair value of our investment portfolios.

As of December 31, 2007, we had no cash equivalents that were subject to interest rate risk. The fair value of our cash equivalents approximated the carrying value as of December 31, 2007.

In June 2004, we issued our 2011 Notes with an aggregate principal amount of \$500.0 million bearing a fixed interest rate of 7.875%. We also entered into agreements which hedge the fair value of our 2011 Notes by swapping the fixed rate of interest for a variable rate based on LIBOR plus a margin, thereby subjecting us to interest rate risk due to fluctuations in the LIBOR rate. The average interest rate on our 2011 Notes for 2007 was 8.3% (2006 — 8.2%; and 2005 — 6.4%) after reflecting the interest rate swap. A one percentage point increase in the LIBOR rate would increase our interest expense by \$5.0 million annually.

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

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

At February 25, 2008, we had 199,228,966 subordinate voting shares and 29,637,316 multiple voting shares outstanding. All of the subordinate voting shares are freely transferable without restriction or further registration under the U.S. Securities Act, except for shares held by our affiliates (as defined in the U.S. Securities Act). Shares held by our affiliates include all of the multiple voting shares and 2,047,969 subordinate voting shares held by Onex Corporation. An affiliate may not sell shares in the United States unless the sale is registered under the U.S. Securities Act or an exemption from registration is available. Rule 144 adopted under the U.S. Securities Act permits our affiliates to sell our shares in the United States subject to volume limitations and requirements relating to manner of sale, notice of sale and availability of current public information with respect to us.

In addition, as of February 25, 2008, there were approximately 27,500,000 subordinate voting shares reserved for issuance under our employee share purchase and option plans and for director compensation, including outstanding options to purchase approximately 10,200,000 subordinate voting shares. Moreover, we may, pursuant to our articles of incorporation, issue an unlimited number of additional subordinate voting shares without further shareholder approval (subject to any required stock exchange approvals). As a result, a substantial number of our subordinate voting shares will be eligible for sale in the public market at various times in the future. The issuances and/or sale of such shares would dilute the holdings of our shareholders and could adversely affect the market price of the subordinate voting shares.

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

Onex owns, directly or indirectly, all of the outstanding multiple voting shares and 1.0% of the outstanding subordinate voting shares. The number of shares owned by Onex, together with those shares Onex has the right to vote, represents 78.8% of the voting interest in Celestica and less than 1% of the voting interest in our outstanding subordinate voting shares. Accordingly, Onex exercises a controlling influence over our business and affairs and has the power to determine all matters submitted to a vote of our shareholders where our shares vote together as a single class. Onex has the power to elect our directors and its approval is required for significant corporate transactions such as certain amendments to our articles of incorporation, the sale of all or substantially all of our assets and plans of arrangement. Onex's voting power could have the effect of deterring or preventing a change in control of our company that might otherwise be beneficial to our other shareholders. Under our revolving credit facility, it is an event of default entitling our lenders to demand repayment if Onex ceases to control Celestica unless the shares of Celestica become widely held ("widely held" meaning that no one person owns more than 20% of the votes). Gerald W. Schwartz, the Chairman, President and Chief Executive Officer of Onex and one of our directors, owns multiple voting shares of Onex, carrying the right to elect a majority of the Onex board of directors. Mr. Schwartz, therefore, effectively controls our affairs. The interests of Onex and Mr. Schwartz may differ from the interests of the remaining holders of subordinate voting shares. For additional information about our principal shareholders, see Item 7(A), "Major Shareholders."

Onex has, from time to time, issued debentures exchangeable and redeemable under certain circumstances for our subordinate voting shares, entered into forward equity agreements with respect to subordinate voting shares, sold shares (after exchanging multiple voting shares for subordinate voting shares), or redeemed these debentures through the delivery of subordinate voting shares and could do so in the future. These sales could impact our share price, have consequences on our outstanding debt, and change our ownership structure.

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

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

Potential unenforceability of civil liabilities and judgments.

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

Item 4. Information on the Company

A. History and Development of the Company

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

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

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

Recent Acquisitions

In 2004, we acquired the shares of MSL and certain assets from NEC Corporation in the Philippines. In 2005, we completed three acquisitions: we acquired the shares of Ramnish Electronics Private Limited, CoreSim Inc., and Displaytronix Inc. In 2006, we acquired certain assets from Powerwave Technologies, Inc. In 2003 and 2007, we did not complete any acquisitions. The aggregate purchase price for these acquisitions was approximately \$355 million.

Certain information concerning property, plant and equipment expenditures, including acquisitions and financing activities, is set forth in notes 3, 7, 8, 9 and 17 to the Consolidated Financial Statements in Item 18, and

Certain information concerning our divestiture activities, including our restructurings, is set forth in note 11 to the Consolidated Financial Statements in Item 18, and Item 5, "Operating and Financial Review and Prospects — Management's Discussion and Analysis of Financial Condition and Results of Operations."

B. Business Overview

Through our global manufacturing network, we provide a range of services and solutions to OEMs in the communications, computing, consumer and industrial, aerospace and defense sectors. These services and solutions are designed to enable our customers to overcome challenges related to cost, quality, time-to-market and rapidly changing technologies with a goal of positioning them more competitively in their respective business environments.

We have operations throughout Asia, the Americas and Europe. Through our integrated global solutions, including, design and engineering, manufacturing and systems integration, fulfillment and after-market services, we strive to deliver the speed, solutions and results that can help our customers succeed in their respective markets.

The major end markets we serve include communications, computing, consumer, industrial, aerospace and defense. This diversification has enabled us to reduce the risk associated with reliance on only a few sectors. We now supply products and services to over 100 OEMs. In aggregate, our top 10 customers represented 61% of revenue in 2007. The products we manufacture can be found in a wide array of end products, including networking, wireless, telecommunications and computing equipment; handheld communications devices; peripherals; storage devices; servers; medical products; audio visual equipment, including flat-panel televisions; printers and related supplies; gaming products; aerospace and defense electronics such as in-flight entertainment and guidance systems; and a range of industrial electronic equipment.

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

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

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

Overview

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

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

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

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

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

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

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

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

Access to Broadening Service Offerings. In response to OEMs' continued desire to outsource activities that were traditionally handled internally, EMS providers are continually expanding their offerings to include services such as design, after-market support and fulfillment. This enables OEMs to benefit from outsourcing more of their cost of goods sold.

Celestica's Focus

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

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

Leverage Expertise in Technology, Quality and Supply Chain Management. We are committed to meeting our customers' needs in the areas of technology, quality and supply chain management. Our expertise in these areas enable us to meet the rigorous demands of our OEM customers and to produce a diverse range of electronic products, from high-volume consumer electronics to highly complex technology infrastructure products. Our commitment to quality allows us to deliver consistently reliable products to our customers. The systems and processes associated with our expertise in supply chain management have generally enabled us to rapidly adjust our operations to meet the lead time requirements of our customers, flexibly shift capacity in response to product demand fluctuations and quickly and effectively deliver products directly to end customers. We often work closely with suppliers to influence component design for the benefit of our customers. Based on the successes that we have had in these areas, we have been recognized with numerous customer and industry achievement awards. As a result of prior execution issues at our facility in Mexico, we expended significant effort in 2007 to simplify their operations and reduce the complexities that led to their operational inefficiencies. In particular, we reduced the inventory parts complexity and consolidated the number of warehouses. We made steady progress in Mexico throughout 2007. See Item 5, "Operating and Financial Review and Prospects — Management's Discussion and Analysis of Financial Condition and Results of Operations."

Develop and Enhance Profitable, Key Relationships with Leading OEMs. We seek to build and sustain profitable, strategic relationships with targeted industry leaders in sectors that can benefit from the delivery of our services and solutions. We conduct ourselves as an extension of our customers' organizations and this enables us to respond to their needs with speed, flexibility and predictability in delivering results. We have established and maintain strong manufacturing relationships with a diverse mix of leading OEMs across several market segments. Going forward, we believe that our customer base will be a strong source of growth for us as we seek to strengthen these relationships through the delivery of additional services. Prior execution issues in Mexico had a negative impact on certain customers' satisfaction levels which resulted in the loss of business. Through our improved operational performance in 2007, we have restored customer confidence in our operations at that site and have won new business in Mexico. We will continue our efforts to attract new

customers to that facility in 2008. See Item 5 "Operating and Financial Review and Prospects — Management's Discussion and Analysis of Financial Condition and Results of Operations."

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

Continue to Penetrate Strategic Target End-Markets. As a result of new or continued demand for outsourced electronics manufacturing services across several industries, we have established a diverse customer base with OEM customers in the communications, computing, consumer, industrial, aerospace and defense markets. Our legacy of expertise in technology, quality and supply chain management, in addition to our broad service offerings, have positioned us as an attractive partner to companies across these market segments. Our expansion into new markets has reduced the risks associated with reliance on a few sectors. Our revenue diversification has improved over the years.

| | 2005 | 2006 | 2007 |
|-----------------------------------|------|------|------|
| Enterprise Communications | 28% | 28% | 28% |
| Consumer | 11% | 18% | 22% |
| Servers | 18% | 17% | 19% |
| Telecommunications | 21% | 18% | 14% |
| Storage | 12% | 10% | 10% |
| Industrial, aerospace and defense | 10% | 9% | 7% |

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

Celestica's Business

OEM Supply Chain Services and Solutions

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

Supply Chain Management. We utilize enterprise resource planning and supply chain management systems to optimize materials management from supplier to end customer. The effective management of the supply chain is critical to the success of OEMs, as it directly impacts the time required to deliver products to market and the capital requirements associated with carrying inventory. In 2007, we implemented two key supply chain management strategies that we feel differentiate us from our competitors — Total Cost of Ownership™ (TCOO) Strategy and Ring Strategy.

Through our TCOO Strategy, we determine the true cost of producing, delivering and supporting our customers' products so we can exceed their expectations for time-to-market and quality and provide them with the lowest TCOO. Our Ring Strategy aligns our network of suppliers around our mega-sites. This strategy places an emphasis on dealing with suppliers in close proximity to our mega-sites so we can increase the agility and flexibility of our supply chain and deliver the shortest overall lead times for any given product.

Design. Our global design services cover the entire product lifecycle. Supported by a disciplined approach to program management, we provide flexible design solutions and expertise to help customers reduce their overall product costs, improve time-to-market and introduce competitively differentiated products. By leveraging our proprietary CoreSim Technology™ and our collective experience with common technologies across multiple industries and product groups, we can provide quality and cost-focused solutions for our customers' design needs.

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

In 2006, in an effort to enhance our design services offering, we entered into a strategic relationship with HCL Technologies Ltd., a global engineering, research and development, IT services and business process outsourcing firm. We believe that by combining our companies' strengths, we can create solutions to help our customers overcome design-related challenges. The new skill areas and scalability offered by HCL will enable us to better manage projects from end-to-end, including software development and systems validation, as well as complete product sustainability.

Other key initiatives aimed at enhancing our design services offering include developing and marketing solutions accelerator platforms for server blades, storage, advanced telecommunications computing architecture and worldwide interoperability for microwave access (WiMAX). These customizable solutions will reduce customers' product design cycles and are intended to achieve full lifecycle solutions at the lowest cost and fastest time-to-market.

Green Services™. Since 2004, we have been developing a suite of services to help our customers comply with environmental legislation, including the European Union's (EU) RoHS and WEEE laws and the first phase of China's RoHS directives. The EU's RoHS mandated the removal of a number of hazardous substances, including the lead commonly found in electronic products, by July 2006. Through WEEE, the EU requires that producers or distributors register with the authorities in each member state and consider recycling costs in the pricing for any products placed in the EU markets after August 2005. In addition, it is expected that producers will establish relationships with regulated collection partners to facilitate recycling of end-of-life electronics.

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

Product Assembly and Test. We use sophisticated technologies in the assembly and testing of our products, and have continually made significant investments in the development of new assembly and test process techniques to enhance product quality, reduce cost and improve delivery time to customers. We work independently and also collaborate with customers and suppliers to develop leading assembly and test technologies.

Systems Assembly. We provide systems assembly services to OEMs. These services require sophisticated logistics capabilities to rapidly procure components, assemble products, perform complex testing and distribute products to customers around the world. Our full systems assembly services involve combining and testing a wide range of subassemblies and components before shipping end products to their final destination. Increasingly, OEMs require custom build-to-order system solutions with very short lead times. We are focused on exploiting this trend through our advanced supply chain management capabilities.

Product Assurance. We provide product assurance to our OEM customers. Our product assurance teams perform product life testing and full circuit characterization to ensure that designs meet or exceed required specifications. We are accredited as a National Testing Laboratory capable of testing to international standards

(e.g., Canadian Standards Association and Underwriters Laboratories). We believe that this service allows our customers to attain product certification significantly faster than is customary in the EMS industry.

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

Logistics. We leverage our expertise, relationships and global scale in manufacturing, supply chain management and fulfillment to provide fully integrated logistics solutions to our customers. Our logistics offering includes warehouse and distribution, freight management, logistics consulting services, product and materials visibility and reverse logistics.

Packaging and Global Fulfillment. We design and test the packaging of products for bulk shipment or single end-customer use. We have a sophisticated and integrated system for managing complex international order fulfillment which allows us to ship worldwide and, in many cases, directly to OEMs' customers.

After-Market Services. We offer a wide range of after-market services that can be individualized to meet each customer's requirements. These services include field failure analysis, product upgrades, repair and engineering change management.

Quality Management

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

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

We believe that quality management is one of the key services directly linked to meeting and exceeding our customers' expectations. As a result, a portion of our employee compensation is based on the results of extensive customer satisfaction surveys conducted on our behalf by an independent consultant.

Geographies

During 2005, 2006 and 2007, approximately one-half of our revenue was produced in Asia and one-third of our revenue was produced in North America. A listing of our principal locations is included in Item 4, "Information on the Company — Description of Property." We believe we have a competitive and strategic global manufacturing network with approximately 80% of our employees located in lower-cost regions. We have deployed many of our significant technical capabilities to a broad number of our global sites in both high-cost and low-cost regions which we believe differentiates us from our competitors.

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

Sales and Marketing

We have adopted a marketing approach focused on creating profitable, strategic relationships with leading OEMs in targeted end-markets. Our coordination of efforts with key global customers has been enhanced by the creation of customer-focused teams, each headed by a group general manager who oversees the global relationship with such customers. Our global network is comprised of customer-focused teams, including direct sales representatives, operational and project managers, account executives, supply chain management teams, as well as senior executives. Our global sales organization also leverages an integrated set of processes designed to provide consistency to customers worldwide.

Customers

We supply products and services to approximately 100 OEM customers and target industry-leading customers in strategic market segments focused on key technologies. Our customers include Alcatel-Lucent, Avaya, Cisco Systems, EMC, Hewlett-Packard, IBM, Microsoft, Motorola, NEC, Raytheon, Research in Motion and Sun Microsystems. We are focused on strengthening our relationships with these strategic customers through the delivery of new and expanding end-to-end solutions, such as design and engineering, systems integration, fulfillment and after-market services, including managing end-of-life products for our customers.

During 2007, our two largest customers, Cisco Systems and Sun Microsystems, each represented in excess of 10% of total revenue and in aggregate represented 21% of total revenue. During 2006, our two largest customers, Cisco Systems and IBM, each represented 10% of total revenue and in aggregate represented 20% of total revenue. Our top 10 customers represented 61% of total revenue for 2007 and 2006.

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

Technology and Research and Development

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

Our customer-focused factories are highly flexible and are reconfigured as needed to meet customer specific product requirements and fluctuations in volumes. We have extensive capabilities across a broad range of specialized assembly processes. We work with a variety of substrate types based on the wide range of products we build for our customers, from thin, flexible printed circuit boards to highly complex, dense multi-layer boards.

Our assembly capabilities are complemented by advanced test capabilities. The technologies we use include high-speed functional testing, burn-in, vibration, radio frequency, in-circuit and in-situ dynamic thermal cycling stress testing. We believe that our inspection technology, which includes X-ray laminography, three-dimensional laser paste volumetric inspection and scanning electron microscopy, is among the most sophisticated in the EMS industry. Furthermore, we employ internally developed automated robotic technology to perform in-process repair.

Our ongoing research and development activities include the development of processes and test technologies, as well as some focused product development. We are proactive in developing manufacturing techniques that take advantage of the latest component, product and packaging designs. We often work with, and take a leadership role in, industry groups that strive to advance the state of technology in the industry.

Supply Chain Management

We have strong relationships with suppliers of every commodity we use. We employ electronic data interchange with our key suppliers and ensure speed of supply through strong relationships with our logistics partners and full-service distribution capabilities. During 2007, we procured and managed over \$6 billion in materials and related services. We view the size and scale of our procurement activities as an important

competitive advantage, as it enhances our ability to obtain better pricing, influence component packaging and design and obtain a supply of components in constrained markets.

In 2007, we implemented two key supply chain management strategies that we feel differentiate us from our competitors — our Total Cost of Ownership™ Strategy and Ring Strategy.

Through our TCOO Strategy, we determine the true cost of producing, delivering and supporting our customers' products so we can exceed their expectations for time-to-market and quality and provide them with the lowest TCOO. Our Ring Strategy aligns our network of suppliers around our mega-sites. This strategy places an emphasis on dealing with suppliers in close proximity to our mega-sites so we can increase the agility and flexibility of our supply chain and deliver the shortest overall lead times for any given product.

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

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

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

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

Intellectual Property

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

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

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

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

Competition

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

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

Human Resources

As of December 31, 2007, we employed over 42,000 permanent and temporary (contract) employees worldwide. Given the variable nature of our project flow and the quick response time required by our customers, it is critical that we are able to quickly ramp our production up or down to maximize efficiency. To achieve this, our approach has been to employ a skilled temporary labor force, as required.

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

Environmental Matters

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

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

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

material environmental liabilities of which we are not presently aware, or that future changes in law or enforcement standards will cause us to incur significant costs or liabilities in the future.

Environmental legislation also operates at the product level. In 2004, we launched our Green Services™, offering a suite of services that helps our customers comply with environmental legislation, such as the EU's RoHS and WEEE laws that were effective in 2006 and the first phase of China's Administration on the Control of Pollution caused by Electronic Information Products (often referred to as China RoHS) legislation, which was effective in 2007.

Backlog

Although we obtain firm purchase orders from our customers, OEM customers typically do not make firm orders for delivery of products more than 30 to 90 days in advance. We do not believe that the backlog of expected product sales covered by firm purchase orders is a meaningful measure of future sales, since orders may be rescheduled or canceled.

Seasonality

Seasonality is reflected in the mix and complexity of the products we manufacture. With a significant exposure to computing and communications infrastructure products, there will be a level of seasonality in our quarterly revenue patterns for many customers. During the past two years, we have also been impacted by the seasonality of the consumer electronics business which has revenue peaks that are different than those of our traditional market segments. As a result of this mix, our efforts to diversify our revenue base, and limited visibility in technology end-markets, it is difficult to predict the extent and impact of seasonality on our business.

C. Organizational Structure

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

Celestica Cayman Holdings 1 Limited, a Cayman Islands corporation.

Celestica Cayman Holdings 9 Limited, a Cayman Islands corporation.

Celestica Corporation, a Delaware corporation.

Celestica (Dongguan-SSL) Technology Limited, a China corporation.

Celestica (Gibraltar) Limited, a Gibraltar corporation.

Celestica Holdings Pte Ltd., a Singapore corporation.

Celestica Hong Kong Limited, a Hong Kong corporation.

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

Celestica (Luxembourg) S.À.R.L., a Luxembourg corporation.

Celestica (Thailand) Limited, a Thailand corporation.

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

IMS International Manufacturing Services Limited, a Cayman Islands corporation.

1282087 Ontario Inc., an Ontario corporation.

1755630 Ontario Inc., an Ontario corporation.

D. Description of Property

The following table summarizes our principal facilities as of February 25, 2008. Our facilities are used to provide electronics manufacturing services and solutions, such as the manufacture of printed circuit boards,

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

| Facility | Square Footage | Owned/Leased |
|---------------------------------------|----------------|--------------|
| | (in thousands) | |
| Toronto, Ontario | 888 | Owned |
| Ottawa, Ontario | 18 | Leased |
| Fontana, California | 228 | Leased |
| San Jose, California | 57 | Leased |
| Ontario, California ⁽¹⁾ | 443 | Leased |
| Ventura, California | 46 | Leased |
| Arden Hills, Minnesota | 154 | Leased |
| Nashville, Tennessee | 404 | Leased |
| Austin, Texas | 51 | Leased |
| Farmers Branch, Texas | 150 | Leased |
| McAllen, Texas | 61 | Leased |
| Galway, Ireland | 133 | Leased |
| Rajecko, Czech Republic | 170 | Owned |
| Kladno, Czech Republic | 172 | Owned |
| Oradea, Romania | 200 | Owned |
| Valencia, Spain ⁽¹⁾ | 423 | Owned |
| Monterrey, Mexico ⁽¹⁾ | 527 | Leased |
| Reynosa, Mexico ⁽¹⁾ | 158 | Leased |
| Aquadilla, Puerto Rico | 94 | Leased |
| Hortolandia, Brazil | 105 | Leased |
| Shanghai, China | 33 | Leased |
| Dongguan, China ⁽¹⁾ | 286 | Leased |
| Suzhou, China ⁽¹⁾ | 400 | Owned/Leased |
| Songshan Lake, China | 437 | Owned/Leased |
| Shatin, Hong Kong | 53 | Leased |
| Johor Bahru, Malaysia ⁽¹⁾ | 554 | Owned/Leased |
| Kulim, Malaysia | 324 | Owned |
| Singapore ⁽¹⁾ | 308 | Leased |
| Miyagi, Japan | 273 | Owned |
| Kawasaki, Japan | 42 | Leased |
| Laem Chabang, Thailand ⁽¹⁾ | 1,085 | Owned/Leased |
| Cebu, Philippines | 125 | Owned |
| Hyderabad, India ⁽¹⁾ | 47 | Owned |

(1) This represents multiple locations.

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

Our land and facility leases expire between 2008 and 2056. We currently expect to be able to extend the terms of expiring leases or to find replacement facilities on reasonable terms.

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

Item 4A. Unresolved Staff Comments

None.

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

The following discussion of the financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements, which we prepared in accordance with Canadian GAAP. A reconciliation to United States GAAP is disclosed in note 20 to the 2007 Consolidated Financial Statements. All dollar amounts are expressed in U.S. dollars. The information in this discussion is provided as of February 19, 2008.

Certain statements contained in the following Management's Discussion and Analysis of Financial Condition and Results of Operations 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; our dependence on a limited number of customers; the challenges of effectively managing our operations during uncertain economic conditions; variability of operating results among periods; 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 and www.sec.gov, including our Annual Report on Form 20-F and subsequent reports on Form 6-K filed with the U.S. Securities and Exchange Commission and our Annual Information Form filed with the Canadian Securities Commissions.

Except as required by 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 a range of electronics manufacturing services (EMS) and supply chain solutions to customers in the computing, communications, consumer, industrial, and aerospace and defense markets. We operate a global manufacturing and supply chain network.

Overview of business environment:

The EMS industry is comprised of companies that provide a broad range of electronics manufacturing services to original equipment manufacturers (OEMs). During the past decade, the EMS industry has experienced rapid change and growth as OEMs have shifted more of their manufacturing and supply chain activities to EMS providers in order to drive greater manufacturing flexibility and to improve their financial returns. Currently, the leading EMS companies have global manufacturing networks with worldwide supply

chain management that provide end-to-end services for the entire product lifecycle, including design and engineering, manufacturing and systems integration, fulfillment and after-market services.

The majority of our revenue (71% for 2007; 73% for 2006) is derived from customers in the following end markets: enterprise communications, telecommunications, servers and storage. The EMS industry was negatively impacted by significant demand weakness, particularly in these end markets from 2001 to 2003. Although the EMS industry has seen overall growth in these markets during the past several years, customers serving these markets have seen technology shifts and varying growth rates for the products sold into these markets. This shift has negatively impacted a large portion of our revenue as many of the products we manufacture have continued to experience weaker demand versus other products sold by our customers that have experienced improved demand but are manufactured by other EMS providers.

Our concentration of customers in these end markets, combined with our significant manufacturing capacity in high-cost geographies, has had a significant adverse impact on our revenue, margins and utilization rates during the past several years. The end market weakness also created excess capacity in the EMS industry, generally resulting in pricing pressures and major restructuring initiatives in high-cost geographies for most North American based EMS companies.

In order to diversify our revenue base, we expanded into new end markets such as consumer, industrial, aerospace and defense. Revenue derived from the consumer end market was 22% for 2007 compared to 18% for 2006, while revenue from the industrial, aerospace and defense end markets has ranged between 6% to 11% during the past several years. We will continue to pursue opportunities in these markets in order to continue to diversify our revenue.

End market visibility is generally limited in the EMS industry, making demand trends in each of our end markets difficult to predict in any given year.

Revenue for 2007 was \$8.1 billion compared to revenue of \$8.8 billion for 2006. In 2006, we experienced operational and execution issues, particularly in Mexico, which had a negative impact on certain customer relationships. Some customers reacted by disengaging business from us and we chose to disengage from certain non-strategic customers. These factors negatively impacted revenue for 2007.

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 of 2007 have reflected the impact of programs being transferred to and from our competitors. Customer or program transfers between EMS competitors is 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.

Key strategic initiatives:

In 2006, operating margins were significantly impacted by the operational challenges in our facilities in Mexico and Europe. We established the following five priorities for 2007 to improve our financial, operational and working capital performances:

1. restore customer confidence (see page 31);
2. improve operating and financial performance in Mexico (see page 31);
3. restore profitability in Europe by generating more business with European customers (see page 31);
4. improve asset utilization, focusing primarily on inventory turnover (see pages 30 and 32); and
5. drive efficiency through simplicity and the elimination of waste by reducing overhead structures, streamlining processes and fostering a lean culture (see page 31).

We experienced continuous improvements in each quarter of 2007 as we executed on our recovery plans and finished the fourth quarter with some of the strongest operational and financial results that we have seen in

several years. Despite weakness in our communications business and some customer and program disengagements, revenue has grown in each quarter of 2007. Operating margins have also improved steadily in each quarter of 2007. In addition, we reduced our inventory by 34% from the end of 2006, of which approximately 40% resulted from inventory reductions in Mexico. Although we finished 2007 with improved results, we will continue to focus on these priorities in 2008.

Recent acquisitions and divestitures:

In March 2006, we acquired certain assets located in the Philippines from Powerwave Technologies, Inc. and signed a multi-year supply agreement. This acquisition strengthened our relationship with an existing customer in the telecommunications market. In June 2006, we sold our plastics injection molding business (which we acquired as part of an EMS acquisition). Our plastics business, which operated primarily in Asia, represented less than 1% of our total revenue. In September 2006, we sold one of our European facilities to a third party as part of our restructuring program and the purchaser agreed to retain all employees.

Summary of 2007

Financing and capital structure:

We maintained a strong balance sheet throughout 2007 and finished the year with a cash balance of \$1,116.7 million and an undrawn credit facility. Cash increased by more than \$300 million from a year earlier primarily due to improvements in earnings and working capital performance.

Overview of 2007 results:

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

| | Year ended December 31 | | |
|---|------------------------|------------|------------|
| | 2005 | 2006 | 2007 |
| Revenue | \$ 8,471.0 | \$ 8,811.7 | \$ 8,070.4 |
| Gross profit | 481.1 | 451.8 | 422.4 |
| Selling, general and administrative expenses (SG&A) | 296.9 | 285.6 | 295.1 |
| Net loss | (46.8) | (150.6) | (13.7) |
| Basic loss per share | \$ (0.21) | \$ (0.66) | \$ (0.06) |
| Diluted loss per share | \$ (0.21) | \$ (0.66) | \$ (0.06) |
| | As at December 31 | | |
| | 2005 | 2006 | 2007 |
| Total assets | \$ 4,857.8 | \$ 4,686.3 | \$ 4,470.5 |
| Total long-term financial liabilities | 751.4 | 750.8 | 758.5 |

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

As a result of operational challenges in Mexico, our focus in 2007 was to simplify the Mexican operations and improve their financial results. We transferred certain customers or programs from Mexico to our manufacturing facilities in Asia and disengaged from certain other customers that were adding to the complexity of our Mexican operations. In addition, several customers chose to disengage business from us. As a result of the transfers out of Mexico, we reduced our inventory parts complexity, consolidated the number of warehouses and reduced our headcount. We integrated the enterprise systems and implemented new software tools to drive best practices at this site for supply chain and materials management. Operationally, we made progress in quality, delivery and productivity in Mexico, resulting in improved customer satisfaction levels in each quarter of 2007. Mexico's operating losses, calculated as gross profit less SG&A, for 2007 were \$52 million compared to \$76 million in 2006. Operating losses for the fourth quarter of 2007 of \$4 million were the lowest in two years and were reduced sequentially from \$10 million in the third quarter of 2007, primarily due to the impact of seasonally higher revenue in the fourth quarter and improved cost productivity. Operating losses have improved steadily from 2006 and the first half of 2007 primarily due to lower infrastructure costs and increased operational efficiencies due to process improvements. Operating losses for 2006 reflected the impact of lower demand in the latter half of 2006 and a \$34 million net inventory charge. We made steady progress in Mexico throughout 2007, despite the lower annual revenue, and we intend to drive further improvements through additional headcount reductions and consolidation of manufacturing capacity. Based on the operational and financial improvements made to date, we believe the operations in Mexico have now stabilized and based on the current demand environment, we expect improved financial results in 2008. During this transitional year, we were able to win new business in Mexico and we will continue our efforts to attract new customers. Our target is to achieve break-even levels by mid-2008. Mexico remains a strategic part of our global operating network.

Our supply chain and manufacturing network in Europe is comprised of facilities in the Czech Republic, Spain and Romania. These facilities continue to be underutilized and generated operating losses of \$39 million in 2007 compared to \$26 million in 2006. Operating losses for 2007 increased compared to 2006 primarily due to the impact of lower volumes in 2007. We continue to focus on attracting new European customers and have won some new business which will launch in the second half of 2008. Based on our current operating plans, we expect operating losses in Europe to continue at approximately the 2007 levels until we have a sufficient revenue base. Our target is to achieve near break-even levels in Europe by the end of 2008. Europe remains a strategic market for us and we expect to see improvements in financial performance as volumes improve.

Gross profit for 2007 decreased 7% from the prior year primarily due to the impact of lower volumes, underutilization of facilities in Europe and higher costs of disengaging from customers primarily in Mexico. These factors more than offset the benefits from our restructuring actions, the exiting of non-profitable business and operational efficiencies. Gross margin as a percentage of revenue was 5.2% in 2007 compared to 5.1% for 2006. During the second half of 2006, we recorded net charges totaling approximately \$36 million, primarily for increased inventory provisions in Mexico, which negatively impacted our gross margin by 0.4% for 2006.

SG&A expenses for 2007 as a percentage of revenue were 3.7% compared to 3.2% of revenue for 2006. The increase in SG&A expenses as a percentage of revenue primarily reflects the lower revenue in 2007. On an absolute basis, SG&A expenses increased 3% from the prior year reflecting higher IT consulting and support costs and higher costs due to the weakened U.S. dollar, offset partially by the benefits from our restructuring actions and lower variable compensation expenses.

We previously announced that we would incur restructuring charges of between \$20 million and \$40 million for 2007. In 2007, we recorded restructuring charges of \$37.3 million. In January 2008, we announced that we would incur additional restructuring charges of between \$50 million to \$75 million in 2008 to complete our planned restructuring actions and further reduce fixed costs and overhead expenses. We expect to complete these restructuring actions by mid-2009.

During 2007, we resolved in our favour the remaining deficiencies relating to tax audits in the United States. As a result, we recorded a current income tax recovery during the third quarter of 2007.

Other performance indicators:

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

| | 1Q06 | 2Q06 | 3Q06 | 4Q06 | 1Q07 | 2Q07 | 3Q07 | 4Q07 |
|-----------------------------|------|------|------|------|------|------|------|------|
| Days in accounts receivable | 47 | 42 | 40 | 41 | 45 | 42 | 42 | 39 |
| Days in inventory | 55 | 52 | 52 | 53 | 59 | 50 | 44 | 38 |
| Days in accounts payable | (87) | (77) | (76) | (77) | (80) | (66) | (66) | (64) |
| Cash cycle days | 15 | 17 | 16 | 17 | 24 | 26 | 20 | 13 |

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

Cash cycle days for the fourth quarter of 2007 improved primarily due to improved inventory management. We have been focused on reducing inventory and improving our inventory turns. In the fourth quarter of 2007, we achieved a company high of 9.7 inventory turns, up from 6.9 turns in the fourth quarter of 2006.

Critical Accounting Policies and Estimates

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

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

Revenue recognition:

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

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

Allowance for doubtful accounts:

We record an allowance for doubtful accounts related to accounts receivable that are considered to be impaired. The allowance is based on our knowledge of the financial condition of our customers, the aging of the receivables, the current business environment, customer and industry concentrations, and historical experience. If any of our customers have insufficient liquidity, we may encounter significant delays or defaults in payments

owed to us by our customers. This may result in our restructuring the debt or extending payment terms which may have a significant adverse effect on our financial condition and results of operations. A change to these factors could impact the estimated allowance and the provision for bad debts recorded in selling, general and administrative expenses.

Inventory valuation:

We value our inventory on a first-in, first-out basis at the lower of cost and replacement cost for raw materials, and at the lower of cost and net realizable value for work in progress and finished goods. We regularly adjust our inventory valuation based on shrinkage and management's estimates of net realizable value, taking into consideration factors such as inventory aging, future demand for the inventory, and the nature of the contractual agreements with customers and suppliers, including the ability to return inventory to them. A change to these assumptions could impact the valuation of inventory and have a resulting impact on gross margins.

Warranty costs:

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

Income taxes:

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

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

Goodwill:

We perform our annual goodwill impairment test in the fourth quarter of each year (to correspond with our planning cycle), and more frequently if events or changes in circumstances indicate that an impairment loss may have been incurred. To the extent our company's market capitalization is less than our book value for a sustained period of time, it could be an indicator that an impairment loss has occurred. Impairment is tested at the reporting unit level by comparing the reporting unit's carrying amount to its fair value. The fair values of the reporting units are estimated using a market approach. The process of determining fair values is subjective and requires management to exercise judgment in making assumptions about future results, including revenue and expense projections at the reporting unit level. A significant change to these assumptions could impact the fair value of the reporting units resulting in a change to the impairment charge. We recorded no goodwill impairment loss in 2007. Future goodwill impairment tests may result in an impairment charge.

Long-lived assets:

We perform our annual impairment tests on long-lived assets in the fourth quarter of each year (to correspond with our planning cycle), and more frequently if events or changes in circumstances indicate that an impairment loss has incurred. We estimate the useful lives of property, plant and equipment and intangible assets based on the nature of the asset, historical experience and the terms of any related supply contracts. The valuation of long-lived assets is based on the amount of future net cash flows that these assets are estimated to generate. Revenue and expense projections are based on management's estimates, including estimates of current and future industry conditions. A significant change to these assumptions could impact the estimated useful lives or valuation of long-lived assets resulting in a change to depreciation or amortization expense and the impairment charge. We recorded a long-lived asset impairment loss in 2007. Future impairment tests may result in further impairment charges.

Restructuring charges:

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

Financial instruments:

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

Pension and non-pension post-employment benefits:

We have pension and non-pension post-employment benefit costs and liabilities, which are determined from actuarial valuations. Actuarial valuations require management to make certain judgments and estimates relating to expected plan investment performance, salary escalation and compensation levels at the time of retirement, retirement ages, and expected healthcare costs. We evaluate these assumptions on a regular basis, taking into consideration current market conditions and historical data. A change in these factors could impact future pension expense.

A. 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. In 2006, we had three reportable operating segments: Asia, Americas and Europe. Beginning in the first quarter of 2007, we

realigned our organizational structure to manage our operations more effectively. We evaluate financial information for purposes of making decisions and assessing financial performance based on the types of services we offer. Our operating segment is comprised of electronics manufacturing and global services, which we combined for reporting purposes because our global services segment does not meet the qualitative thresholds for separate segment disclosure.

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 customers' 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 also affected by the mix and seasonality of business in each of the 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, the costs of ramping up programs, customer product delivery requirements, the 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 labor, inventory and property, plant and equipment effectively, the timing of expenditures in anticipation of forecasted sales levels, and the timing of acquisitions and related integration costs, and other factors.

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

| | Year ended December 31 | | |
|--|------------------------|--------|--------|
| | 2005 | 2006 | 2007 |
| Revenue | 100.0% | 100.0% | 100.0% |
| Cost of sales | 94.3 | 94.9 | 94.8 |
| Gross profit | 5.7 | 5.1 | 5.2 |
| SG&A | 3.5 | 3.2 | 3.7 |
| Amortization of intangible assets | 0.3 | 0.3 | 0.3 |
| Other charges | 1.6 | 2.4 | 0.6 |
| Accretion of convertible debt | 0.1 | — | — |
| Interest expense, net of interest income | 0.5 | 0.7 | 0.6 |
| Earnings (loss) before income taxes | (0.3) | (1.5) | — |
| Income taxes expense | (0.3) | (0.2) | (0.2) |
| Net loss | (0.6)% | (1.7)% | (0.2)% |

Change in accounting estimates:

Effective October 1, 2005, we changed the estimated useful lives of certain machinery and equipment from five years to seven years based on our experience and the extended use of these assets. As a result of this change in estimated useful life, depreciation expense included in cost of sales decreased by approximately \$16 million in 2006 (\$6 million in 2005).

Revenue:

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

Revenue increased 4% in 2006 to \$8.8 billion compared to \$8.5 billion in 2005. Revenue from our consumer market, which accounted for a 7% increase in total revenue from 2005, more than offset the declines primarily in the telecommunications and computing segments. Lower revenue from our telecommunications and computing segments accounted for a 3% decrease in total revenue from 2005, and reflected the weaker demand from a few key customers, as well as program disengagements. Revenue from our consumer customers increased over 50% from 2005 to 2006 primarily from new customer wins.

The revenue impact of acquisitions and divestitures was not significant for 2006 or 2007.

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

| | Year ended December 31 | | |
|-----------------------------------|------------------------|------|------|
| | 2005 | 2006 | 2007 |
| Enterprise communications | 28% | 28% | 28% |
| Consumer | 11% | 18% | 22% |
| Servers | 18% | 17% | 19% |
| Telecommunications | 21% | 18% | 14% |
| Storage | 12% | 10% | 10% |
| Industrial, aerospace and defense | 10% | 9% | 7% |

Historically, our primary end markets were the computing (comprised of servers and storage) and communications markets. To reduce our reliance on these end markets, we have been targeting customers in the consumer, industrial and aerospace and defense markets. Revenue from these markets represented 29% of revenue in 2007 compared to 27% of revenue in 2006 and 21% of revenue in 2005. Revenue from our consumer market increased year-over-year as a result of new customers and new business wins which more than offset the declines primarily in the industrial market. Although we have disengaged with certain non-strategic and unprofitable customers in the industrial market, we will continue to pursue opportunities in these newer markets as they are among the growing technology markets.

Our revenue and operating results will 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 into new markets, we are still dependent on a limited number of customers in the computing and communications markets for a substantial portion of our revenue. The weakness that we experienced, particularly in the telecommunications market, negatively impacted our revenue in 2007. We expect our telecommunications market to remain weak into 2008.

We have two customers, Sun Microsystems and Cisco Systems, which each represented more than 10% of total revenue for 2007. Two customers, IBM and Cisco Systems, each represented more than 10% of total revenue for 2006 and 2005.

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 and other customers, including seasonality of business, new program wins, program consolidations or losses, the phasing in or out of programs, changes in end-market demand, price competition and changes in our customers' supplier base or supply chain strategies.

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

| | Year ended December 31 | | |
|------------------|------------------------|------|------|
| | 2005 | 2006 | 2007 |
| Top 10 customers | 66% | 61% | 61% |
| Other | 34% | 39% | 39% |

We are dependent upon continued revenue from our top 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, either individually or as a group. Any material decrease in revenue from these or other customers could have a material adverse effect on our results of operations.

We believe our growth depends on increasing sales to existing customers for their current and future product generations, expanding our offerings to include related design, manufacturing, fulfillment and after-market services, successfully attracting new customers, and expanding our market penetration in our core markets and our newer markets, such as consumer and industrial, aerospace and defense. Customers may cancel contracts and volume levels can be changed or delayed. The timely replacement of delayed, cancelled or reduced orders with new business cannot be assured. In addition, we have no assurance that any of our current customers will continue to utilize our services, which could have a material adverse impact on our results of operations.

Gross profit:

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

| | Year ended December 31 | | |
|----------------------------|------------------------|----------|----------|
| | 2005 | 2006 | 2007 |
| Gross profit (in millions) | \$ 481.1 | \$ 451.8 | \$ 422.4 |
| Gross margin | 5.7% | 5.1% | 5.2% |

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

Gross margin was 5.1% of revenue in 2006 compared to 5.7% in 2005. Included in cost of sales for 2006 were net charges totaling approximately \$36 million, recorded in the second half of 2006. The majority of this charge consisted of additional inventory provisions recorded in Mexico to cover excess inventory created by demand reductions and by ineffective inventory management processes. Excluding these inventory charges, the gross margin for 2006 would have been 5.5%. The balance of the decline in gross margin in 2006 reflected the inefficiencies in Mexico and the underutilization of facilities in Europe, which more than offset the lower costs resulting from our restructuring actions.

The nature of our business causes gross margin to fluctuate based on product volume and mix, production efficiencies, utilization of manufacturing capacity, manufacturing costs, start-up and ramp-up activities, new product introductions, cost structures at individual sites, and other factors, including pricing due to the overall highly competitive nature of the EMS industry. In addition, the availability of components, which is subject to lead time and other constraints, could affect our revenue and margins.

Selling, general and administrative expenses:

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

SG&A expenses decreased 4% to \$285.6 million (3.2% of revenue) in 2006 from \$296.9 million (3.5% of revenue) in 2005. The decrease in SG&A expenses on an absolute basis reflected the benefits from exiting certain businesses, restructuring-related cost reductions and lower variable compensation expenses.

Other charges:

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

| | Year ended December 31 | | |
|----------------------------|------------------------|-----------------|----------------|
| | 2005 | 2006 | 2007 |
| 2001 to 2004 restructuring | \$ 20.8 | \$ 3.6 | \$ 4.6 |
| 2005 to 2008 restructuring | 139.3 | 174.5 | 32.7 |
| Total restructuring | \$ 160.1 | \$ 178.1 | \$ 37.3 |

To date, we have recorded charges in connection with our restructuring plans in response to the challenging economic climate and our strategy to move production from high-cost to low-cost geographies. These actions, which included reducing our workforce and consolidating and repositioning the number and location of production facilities, were largely intended to align our capacity and infrastructure to anticipated customer requirements for more capacity in low-cost regions, as well as to rationalize our manufacturing network to lower demand levels.

These restructuring plans were focused primarily in the Americas and Europe, as those regions had high cost structures and were most impacted by the downturn in business volumes. Approximately 31,600 employees have been released from the business in connection with these 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 have completed the major components of the 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.

In January 2005, we announced plans to further improve capacity utilization and accelerate margin improvements through additional restructuring. These restructuring actions have included facility closures and a reduction in workforce, primarily targeting our high-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 and to incur charges up to approximately \$275 million. In light of our operating results for 2006 and in the course of preparing our 2007 plan in the fourth quarter of 2006, we identified additional restructuring actions which included further downsizing of workforces to reflect the volume reductions at certain facilities and reducing our overhead costs. We expected to incur restructuring charges of between \$60 million and \$80 million to complete these additional actions, which we expected to complete in 2007.

We recorded restructuring charges of \$160.1 million in 2005, \$178.1 million in 2006 and \$37.3 million in 2007. Based on the timing of the remaining transfer activities, we expect to complete the balance of the workforce reductions by the end of 2008. Our lease and other contractual obligations will be paid out over the remaining lease terms through 2010.

Our restructuring charge for 2006 included the cost to exit one of our large high-cost European facilities. We recorded charges of \$61.2 million relating to the sale of this facility, comprised of employee termination and transaction closing costs totaling \$20.9 million and a non-cash loss of \$40.3 million, primarily on the disposal of land and building.

In the course of preparing our 2008 plan in the fourth quarter of 2007, we determined that additional restructuring actions should be undertaken in order to drive further operational improvements throughout our manufacturing network. These restructuring actions will further reduce our workforce and will include the closure of certain facilities. We plan to consolidate the programs from these closed facilities 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 fewer and more cost-competitive facilities. When the detailed plans of these restructuring actions are finalized, which we expect to occur in early to mid-2008, we will

recognize the related charges. Based on our current restructuring plans, we estimate the additional restructuring charges will be in the range of \$50 million to \$75 million which we expect will be recorded in 2008. We expect to complete these actions by mid-2009.

In June 2006, we sold our plastics business and recorded a loss of \$33.2 million in other charges, primarily for goodwill that was allocated to that business.

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.

Each year, we review our goodwill and our long-lived assets for impairment. We record any impairment against goodwill or long-lived assets as other charges. We may record goodwill and long-lived asset impairment charges in the future as a result of changes in the EMS industry, customer demand and other market conditions, which could have a material adverse effect on our financial condition. In 2007, we recorded an impairment against long-lived assets of \$15.1 million resulting primarily from a planned facility closure. We recorded no goodwill impairment in 2007.

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

Interest expense on long-term debt in 2007 was \$66.4 million compared to \$67.1 million in 2006 and \$48.4 million in 2005. 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 8.3% for 2007 (8.2% — 2006, 6.4% — 2005). The interest rate on the 2013 Notes was fixed at 7.625%. Interest expense in 2005 included a half year of interest charges on the 2013 Notes that were issued late June 2005.

As a result of adopting the new accounting standards for financial instruments in 2007, we have marked-to-market the bifurcated embedded prepayment options in our debt instruments. We have also applied 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. For 2007, we reduced interest expense by \$0.6 million. The mark-to-market adjustment fluctuates as it is dependent on market conditions.

Interest income, net of interest expense, in 2007 was \$15.2 million compared to net interest income of \$4.5 million in 2006 and \$6.2 million in 2005. The increase in interest income primarily reflects higher interest earned on larger cash balances during the second half of 2007.

Income taxes:

Income tax expense in 2007 was \$20.8 million on earnings before tax of \$7.1 million compared to an income tax expense of \$14.5 million in 2006 on a loss before tax of \$136.1 million and an income tax expense of \$21.3 million in 2005 on a loss before tax of \$25.5 million. Current income taxes for 2007 is comprised primarily of the tax expense in jurisdictions with current taxes payable and additional tax expense related to a current Canadian tax audit, offset by the current tax recovery resulting from the United States tax audit resolution. Deferred income taxes for 2007 is comprised primarily of the deferred tax expense on unrealized foreign exchange gains in Canada, offset partially by a deferred tax recovery related to a tax benefit of a write-down of restructured European operations. The income tax expense for 2005 and 2006 reflected the tax expense in certain jurisdictions with current taxes payable. Current income taxes for 2006 included a recovery relating to income tax audits in the United States. In addition, we recorded net deferred income tax liabilities in 2006 with respect to net unrealized foreign exchange gains.

We conduct business operations in a number of countries, including countries where tax incentives have been extended to encourage foreign investment or where income tax rates are low. Our effective tax rate is also impacted by 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 \$588.8 million is required in respect of our deferred income tax assets as at December 31, 2007 (December 31, 2006 — \$565.5 million).

As at December 31, 2007, the net deferred income tax liability balance was \$57.3 million (December 31, 2006 — \$43.0 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, in particular inter-company financing transactions, are subjected to close review by tax authorities. Moreover, several jurisdictions in which we operate have tax laws with detailed transfer pricing rules which require that all transactions with non-resident related parties be priced using arm's length pricing principles, and that contemporaneous documentation must exist to support such pricing.

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

In connection with 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.

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

B. Liquidity and Capital Resources

Liquidity

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

| | As at December 31 | | |
|---------------------------|-------------------|----------|------------|
| | 2005 | 2006 | 2007 |
| Cash and cash equivalents | \$ 969.0 | \$ 803.7 | \$ 1,116.7 |

| | Year ended December 31 | | |
|---|------------------------|---------|----------|
| | 2005 | 2006 | 2007 |
| Cash provided by operations | \$ 218.3 | \$ 39.2 | \$ 351.4 |
| Cash used in investing activities | (111.9) | (207.9) | (36.9) |
| Cash provided by (used in) financing activities | (106.2) | 3.4 | (1.5) |

Cash provided by operations:

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

Cash used in investing activities:

In 2007, our capital expenditures were incurred primarily to expand manufacturing capabilities in China, Czech Republic and Thailand in support of new customer programs.

Cash outflows from acquisitions were offset by cash proceeds from the sale of restructured facilities and certain businesses.

Cash provided by (used in) financing activities:

In 2005, we issued Senior Subordinated Notes and received cash proceeds of \$250.0 million. We used a portion of these proceeds to repurchase our LYONs. All of the outstanding LYONs were repurchased by the third quarter of 2005.

Cash requirements:

As at December 31, 2007, we have contractual obligations that require future payments as follows (in millions):

| | Total | 2008 | 2009 | 2010 | 2011 | 2012 | Thereafter |
|--|----------|--------|------|------|----------|------|------------|
| Long-term debt ⁽ⁱ⁾ | \$ 750.2 | \$ 0.2 | \$ — | \$ — | \$ 500.0 | \$ — | \$ 250.0 |
| Interest on long-term debt ⁽ⁱⁱ⁾ | 242.6 | 58.4 | 58.4 | 58.4 | 38.8 | 19.1 | 9.5 |
| Operating leases | 184.6 | 47.0 | 37.9 | 29.3 | 19.3 | 7.7 | 43.4 |

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

(ii) Interest payments are based on the fixed rate of interest on the 2011 and 2013 Notes. Interest on the 2011 Notes does not reflect the impact of the interest rate swaps.

In June 2004, we issued Senior Subordinated Notes due July 2011 with an aggregate principal amount of \$500.0 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 and a fixed interest rate of 7.625%. We entered into agreements to swap the fixed interest on the 2011 Notes with a variable interest rate based on LIBOR plus a margin. Interest on the Notes is payable in January and July of each year until maturity. The Notes are unsecured and are subordinated in right of payment to all our senior debt. We may redeem the 2011 Notes on July 1, 2008 or later, and the 2013 Notes on July 1, 2009 or later, 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 the Notes. These covenants also place limitations on debt incurrence, the sale of assets and our ability to incur additional debt. We were in compliance with all covenants at December 31, 2007.

As at December 31, 2007, we have commitments that expire as follows (in millions):

| | Total | 2008 | 2009 | 2010 | 2011 | 2012 | Thereafter |
|--|----------|----------|---------|------|------|------|------------|
| Foreign currency contracts | \$ 446.7 | \$ 434.6 | \$ 12.1 | \$ — | \$ — | \$ — | \$ — |
| Letters of credit, letters of guarantee and surety and performance bonds | 74.4 | 65.2 | 1.1 | 1.6 | 0.2 | 0.9 | 5.4 |
| Capital expenditures | 22.0 | 22.0 | — | — | — | — | — |

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

At December 31, 2007, we had committed approximately \$22 million in capital expenditures, principally for machinery and equipment and facilities in our low-cost geographies. Based on our current operating plans, we anticipate capital spending for 2008 to be approximately 1% of revenue, and expect to fund this spending from cash on hand. In addition, we regularly review acquisition opportunities and, as a result, could require additional debt or equity financing to fund these transactions.

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

Our defined benefit pension funding policy is to contribute amounts sufficient to meet minimum local statutory funding requirements that are based on actuarial calculations. We may make additional discretionary contributions based on actuarial assessments and, from time to time, make voluntary contributions to the pension plans. Based on our most recent actuarial valuations, we estimate our minimum funding requirements for 2008 to be \$17.7 million. We also expect to contribute \$3.4 million to the non-pension post-employment benefit plans to fund the estimated benefit payments in 2008.

We have provided routine indemnifications whose terms range in duration and often are not explicitly defined. These could 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 individuals who claim they were purchasers of our stock, on behalf of themselves and other 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 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 recently 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

In April 2007, we renegotiated the terms of our revolving credit facility and reduced the amount available from \$600.0 million to \$300.0 million. We also extended the maturity from June 2007 to April 2009. Under the terms of the extension, we have pledged certain assets, including the shares of certain North American subsidiaries, as security. The extension includes improved financial covenants. At December 31, 2007, we had approximately \$240 million of available credit under this facility.

The facility includes a \$25.0 million swing-line facility that provides for short-term borrowings up to a maximum of seven days. Borrowings under the facility bear interest at LIBOR plus a margin except that borrowings under the swing-line facility bear interest at a base rate plus a margin. There were no borrowings outstanding under this facility at December 31, 2007. Commitment fees for 2007 were \$2.3 million. The facility has restrictive covenants relating to debt incurrence and sale of assets and also contains financial covenants that require us to maintain certain financial ratios. We were in compliance with all covenants at December 31, 2007.

We have additional uncommitted bank overdraft facilities available for operating requirements. At December 31, 2007, we had \$49.5 million of available credit under these facilities. There were no borrowings outstanding under these facilities.

We believe that cash flow from operating activities, together with cash on hand and borrowings available under our credit facility (which are 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.

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 company, the creditworthiness of guarantors, insurers, or other forms of credit enhancement on the obligation and the currency in which the obligation is denominated. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization. A rating does not comment as to market price or suitability for a particular investor.

At February 19, 2008, our Standard and Poor's corporate rating is B+ and our senior subordinated note rating is B-, with a negative outlook. The notes rating, which is fourteenth out of 20 on the rating scale, means that the obligor currently has the capacity to meet its financial commitment on the obligation but adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation. At February 19, 2008, our Moody's Investor Service corporate rating is

B1 and our senior subordinated note rating is B3, with a negative outlook. The subordinated notes rating is sixteenth 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 impact our future cost of borrowing. At December 31, 2007, we had significant cash balances in excess of our debt obligations.

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 December 31, 2007, we have sold approximately \$225 million (December 31, 2006 — \$320 million) in accounts receivable to the third-party bank under this program. This program expires in November 2008. We intend to renew this agreement or enter into a similar agreement before the expiration of this current program.

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 material costs are also denominated in U.S. dollars. However, a significant portion of our non-material 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. At December 31, 2007, we had forward foreign exchange contracts covering various currencies in an aggregate notional amount of \$446.7 million. Our contracts generally extend for periods of up to 15 months. The majority of these contracts expire by March 2009. The fair value of these contracts at December 31, 2007 was a net unrealized gain of \$20.0 million. 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. Our largest foreign currency exposures are in the Canadian dollar, Thai baht, Malaysian ringgit, Mexican peso, Czech koruna, Singapore dollar and the Euro. With the depreciation of the U.S. dollar against these currencies, we expect to incur higher operating costs in these markets which may negatively impact operating margins in 2008.

In connection with the 2011 Notes offering, 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 December 31, 2007 was an unrealized gain of \$8.7 million. The average interest rate on the 2011 Notes for 2007 was 8.3% (8.2% for 2006), after reflecting the interest rate swaps. 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.

We are exposed to a variety of financial risks as part of our operations. See note 15 to the Consolidated Financial Statements.

Related Party Transactions

We are party to a management services agreement with our parent company (Onex) dated July 1, 2003 whereby Onex has agreed to provide certain strategic planning, financial and support services to us as we may reasonably request from time to time having regard to Onex's experience, expertise and personnel. We have agreed to pay Onex certain fees under the agreement, including a base fee and a performance incentive fee, if applicable. The base fee is equal to approximately \$1 million per year. The incentive fee portion is tied to our performance. The agreement also provides that if Celestica uses Onex management personnel to provide

investment banking or financial advice in connection with any acquisition, Onex will be entitled to receive fees consistent, in the determination of the Board of Directors of Celestica, with fees typically paid for financial advice in such circumstances to investment bankers or other expert advisors at arm's length to Celestica. In the event of a change in our control, Onex is entitled to receive an amount equal to the difference between \$10.0 million and the aggregate amount of base fees and incentive fees paid to Onex during the term of the agreement.

In 2007, we expensed management fees of approximately \$1.2 million payable to Onex.

Outstanding Share Data

As at February 25, 2008, we had 199.2 million outstanding subordinate voting shares and 29.6 million outstanding multiple voting shares.

Controls and Procedures

Evaluation of disclosure controls and procedures:

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

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

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

Changes in internal controls over financial reporting:

During 2007, there were no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Management's report on internal control over financial reporting:

Reference is made to our Management's report on page F-1 of this report. Our auditors, KPMG LLP, an independent registered public accounting firm, has issued an audit report on our internal controls over financial reporting. This report appears on page F-2.

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

| | 2006 | | | | 2007 | | | |
|---------------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|
| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
| Revenue | \$ 1,934.0 | \$ 2,223.5 | \$ 2,392.4 | \$ 2,261.8 | \$ 1,842.3 | \$ 1,937.0 | \$ 2,080.6 | \$ 2,210.5 |
| Gross profit % | 5.5% | 5.6% | 5.6% | 3.9% | 4.3% | 4.7% | 5.8% | 6.0% |
| Net earnings (loss) | \$ (17.4) | \$ (30.3) | \$ (42.1) | \$ (60.8) | \$ (34.3) | \$ (19.2) | \$ 51.5 | \$ (11.7) |
| # of basic shares | 226.7 | 227.1 | 227.2 | 227.6 | 228.4 | 229.0 | 229.1 | 229.1 |
| # of diluted shares | 226.7 | 227.1 | 227.2 | 227.6 | 228.4 | 229.0 | 229.1 | 229.1 |
| Net earnings (loss) | | | | | | | | |
| per share — basic | \$ (0.08) | \$ (0.13) | \$ (0.19) | \$ (0.27) | \$ (0.15) | \$ (0.08) | \$ 0.22 | \$ (0.05) |
| per share — diluted | \$ (0.08) | \$ (0.13) | \$ (0.19) | \$ (0.27) | \$ (0.15) | \$ (0.08) | \$ 0.22 | \$ (0.05) |

Comparability quarter-to-quarter:

The quarterly data reflects the following:

- the second quarter of 2006 reflects the sale of our plastics business in June 2006;
- all quarters of 2006 and 2007 include the results of operations of Powerwave Technologies in the Philippines which was acquired in March 2006;
- the third and fourth quarters of 2006 were 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 and 2007 were impacted by our announced restructuring plans. The amounts vary from quarter to quarter.

Fourth quarter 2007 compared to fourth quarter 2006:

Revenue for the fourth quarter of 2007 decreased 2% to \$2.2 billion from \$2.3 billion for the same period in 2006. Lower revenue from our communications and industrial segments accounted for an 8% decrease in total revenue from the prior period. This was offset partially by our consumer segment which grew more than 30% compared to the prior year primarily due to new customer and program wins. Higher consumer revenue accounted for a 6% increase in total revenue from the prior period. This consumer growth was higher than we anticipated due to stronger customer demand. Revenue from our communications and industrial segments has decreased, reflecting the weaker demand from a few key customers, as well as program disengagements. Gross margin increased to 6.0% of revenue for the fourth quarter of 2007 from 3.9% for the same period in 2006, primarily due to improved results for Mexico and Europe. The fourth quarter of 2006 was impacted by the net charge, primarily for increased inventory provisions taken in Mexico, which reduced gross margin by 1.3% of revenue.

Fourth quarter 2007 compared to third quarter 2007:

Sequentially, revenue for the fourth quarter of 2007 increased 6% from the third quarter of 2007 primarily due to higher revenue from our consumer and server segments, which accounted for an 8% increase in total revenue, as these markets are seasonally stronger in the fourth quarter. This was partially offset by lower revenue from our telecommunications market, which accounted for a 2% decrease in total revenue sequentially. We expect that our telecommunications market will continue to remain weaker for us. Revenue from our enterprise communications and industrial end markets were flat sequentially. The sequential change in gross margin for the fourth quarter of 2007 reflects the impact of higher revenue, improvements in our Mexican and European operating results and benefits from our restructuring actions. The sequential reduction in net earnings is attributed primarily to higher restructuring charges, the impairment of some long-lived assets and higher net income tax expense. The third quarter of 2007 benefited from a net income tax recovery, related primarily to the U.S. tax audit resolution.

First quarter 2008 guidance:

On January 31, 2008, we provided the following guidance for the first quarter of 2008:

Q108 — Guidance

| | |
|---------------------------------|------------------|
| Revenue (in billions) | \$1.7 to \$1.9 |
| Adjusted net earnings per share | \$0.06 to \$0.11 |

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 acquisitions made by the company, restructuring activities, securities repurchases and the adoption of fair value accounting for stock options, management believes adjusted net earnings is 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. Adjusted net earnings excludes the effects of acquisition-related charges (most significantly, amortization of intangible assets and integration costs related to acquisitions), other charges (most significantly, restructuring costs and the write-down of goodwill and long-lived assets), gains or losses on the repurchase of shares or debt, option expense and option exchange costs, and the related income tax effect of these adjustments and any significant deferred tax write-offs or recovery. 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 is 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.

Historically, the first quarter of each year is our weakest quarter. Our revenue guidance for the first quarter of 2008 represents a 19% sequential decrease, from our fourth quarter of 2007, using the midpoint of our revenue guidance, and reflects historically consistent declines, as compared to the preceding quarter, in our consumer and communications businesses and the impact of prior program and customer disengagements. Given that the revenue in our consumer business was higher than expected in the fourth quarter of 2007, the decline in the first quarter of 2008 will have a larger impact than we usually experience in this quarter.

From a profitability standpoint, we believe we have made sustainable improvements in our cost structure, and this is reflected in our first quarter adjusted net earnings per share guidance.

Our first quarter of 2008 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 may involve factors that are beyond the control of the Company. The material assumptions may include, assumptions regarding the following: forecasts from our customers, which range outwards from 30 days to 90 days; general economic and market conditions; currency exchange rates; product pricing levels and competition; anticipated customer demand; supplier performance and pricing; operational and financial matters; technological developments; and the execution of our restructuring plan. These assumptions are based on management's current views with respect to current plans and events, and are and will be subject to the risks and uncertainties discussed above. Our first quarter of 2008 guidance is provided for the purpose of providing information about management's current expectations and plans relating to the first quarter of 2008. Readers are cautioned that such information may not be appropriate for other purposes.

Recent Accounting Developments

Financial instruments:

Effective January 1, 2007, we adopted the new standards issued by the CICA 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," were effective for our first quarter of 2007. We were not required to restate prior results.

On January 1, 2007, we made the following transitional adjustments to our consolidated balance sheet to adopt the new standards (in millions):

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

As a result of adopting the new standards for 2007, interest expense on long-term debt decreased by \$0.6 million.

The new standards require all financial assets and liabilities to be carried at fair value in our consolidated balance sheet, except for loans and receivables, held-to-maturity investments and non-trading financial liabilities, which are carried at their amortized cost. In accordance with the requirements of the new standards, we have recorded certain specific elements of our Senior Subordinated Notes at fair value while keeping the remaining amounts at cost or amortized cost. Currently, we do not have any financial assets designated as available-for-sale.

All derivatives, including embedded derivatives that must be separately accounted for, are measured at fair value in our consolidated balance sheet. The types of hedging relationships that qualify for hedge accounting have not changed under the new standards. We will continue to designate our hedges as either cash flow hedges or fair value hedges. In a cash flow hedge, changes in the fair value of the hedging derivative, to the extent effective, are recorded in other comprehensive income (loss) (OCI) until the asset or liability being hedged is recognized in operations. Any cash flow hedge ineffectiveness is recognized in operations immediately. For hedges that are discontinued before the end of the original hedge term, the unrealized hedge gain (loss) in OCI is amortized to operations over the remaining term of the original hedge. If the hedged item ceases to exist before the end of the original hedge term, the unrealized hedge gain (loss) in OCI is recognized in operations immediately. In a fair value hedge, changes in the fair value of hedging derivatives are offset in operations by the changes in the fair value relating to the hedged risk of the asset, liability or cash flows being hedged. Any fair value hedge ineffectiveness is recognized in operations immediately.

Derivatives may be embedded in financial instruments (the "host instrument"). Under the new standards, embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host instrument, the terms of the embedded derivative are similar to those of a stand-alone derivative, and the combined contract is not held for trading or designated at fair value. These embedded derivatives are measured at fair value with subsequent changes recognized in operations. We have elected January 1, 2003 as our transition date for identifying contracts with embedded derivatives. Currently, we have prepayment options that are embedded in our Senior Subordinated Notes which meet the criteria for bifurcation. The impact of the prepayment options on our consolidated financial statements is described in note 7 of the Consolidated Financial Statements.

The new standards require that we present a new "consolidated statement of comprehensive income (loss)" as part of our consolidated financial statements. Comprehensive income (loss) is comprised of net income (loss), changes in the fair value of derivative instruments designated as cash flow hedges and the net unrealized foreign currency translation gain (loss) arising from self-sustaining foreign operations, which was previously classified as a separate component of shareholders' equity. Subsequent releases from OCI to operations is dependent on when the hedged items designated under cash flow hedges are recognized in operations, or upon de-recognition of the net investment in a self-sustaining foreign operation.

In determining the fair value of our financial instruments, we used a variety of methods and assumptions that are based on market conditions and risks existing on each reporting date. Broker quotes and standard market conventions and techniques, such as discounted cash flow analysis and option pricing models, are used to determine the fair value of our financial instruments, including derivatives and hedged debt obligations. All methods of fair value measurement result in a general approximation of value and such value may never be realized.

Accounting changes:

In January 2007, we adopted CICA Handbook Section 1506, "Accounting changes," which requires that voluntary changes in accounting policy be made only if the changes result in financial statements that provide more reliable and more relevant information. It also requires that prior period errors be corrected retrospectively. The adoption of this standard did not impact our consolidated financial statements.

Inventories:

In June 2007, the CICA issued Section 3031, "Inventories," which requires inventory to be measured at the lower of cost and net realizable value. The standard provides guidance on the types of costs that can be capitalized and requires the reversal of previous inventory write-downs if economic circumstances have changed to support higher inventory values. The standard is effective for 2008. Commencing in the first quarter of 2008, we are required to disclose the amount of inventory write-downs or reversals each quarter. We do not expect the adoption of this standard will have a material impact on our consolidated financial statements.

Financial instruments and capital disclosure:

In December 2006, the CICA issued 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 CICA also issued Section 1535, "Capital disclosures," which provides guidance for disclosing information about an entity's capital and how it manages its capital. These standards are effective for 2008. We are currently evaluating the impact of adopting these standards on our consolidated financial statements.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

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

| Name | Age | Position with Celestica | Residence |
|------------------------|-----|---|-------------------|
| Robert L. Crandall | 72 | Chairman of the Board and Director | Florida, US |
| William A. Etherington | 66 | Director | Ontario, Canada |
| Richard S. Love | 70 | Director | California, US |
| Anthony R. Melman | 60 | Director | Ontario, Canada |
| Gerald W. Schwartz | 66 | Director | Ontario, Canada |
| Charles W. Szuluk | 65 | Director | Texas, US |
| Don Tapscott | 60 | Director | Ontario, Canada |
| Craig H. Muhlhauser | 59 | Director, President and Chief Executive Officer | New Jersey, US |
| Paul Nicoletti | 40 | Executive Vice President and Chief Financial Officer | Ontario, Canada |
| John J. Boucher | 48 | Executive Vice President, Supply Chain Management Solutions and Chief Procurement Officer | New Hampshire, US |
| Elizabeth L. DelBianco | 48 | Executive Vice President, Chief Legal and Administrative Officer and Corporate Secretary | Ontario, Canada |
| John Peri | 46 | Executive Vice President, Global Operations | Ontario, Canada |
| Michael L. Andrade | 44 | Senior Vice President, Strategic Business Development | Ontario, Canada |
| Peter J. Bar | 50 | Senior Vice President and Corporate Controller | Ontario, Canada |
| Patrick F. Flynn | 52 | Chief Information Officer | Seattle, US |
| Peter A. Lindgren | 45 | Senior Vice President and General Manager, Growth and Emerging Market Segment | Colorado, US |
| Michael P. McCaughey | 46 | Senior Vice President and General Manager, Communications Market Segment | Quebec, Canada |
| Robert J. Sellers | 41 | Senior Vice President and General Manager, Consumer Market Segment | Hawaii, US |
| Rahul Suri | 42 | Senior Vice President and General Manager, Enterprise Market Segment | Ontario, Canada |
| David W. Tiley | 46 | Senior Vice President, Services Integration | Ohio, US |

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

Robert L. Crandall has been a director of Celestica since 1998 and Chairman of the Board of Directors of Celestica since January 2004. He is the retired Chairman of the Board and Chief Executive Officer of AMR Corporation/American Airlines Inc. Mr. Crandall currently serves on the boards of Anixter International Inc. and the Halliburton Company, each of which is a public corporation. He is also Chairman and CEO of Pogo, Inc. and a director of Air Cell, Inc., both of which are privately held companies. Mr. Crandall is a member of the Federal Aviation Administration Management Advisory Committee. He holds a Bachelor of

Science degree from the University of Rhode Island and a Master of Business Administration degree from the Wharton School of the University of Pennsylvania.

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

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

Dr. Anthony R. Melman is Chairman and CEO of Nevele Inc., a company that provides strategic and financial advisory services. Previously, he was a Managing Director of Onex Corporation until January 2006, having joined the company in 1984. Dr. Melman was Senior Vice President of the Canadian Imperial Bank of Commerce in charge of worldwide merchant banking, project financing, acquisitions and other specialized financing activities from 1977 to 1984. Prior to emigrating to Canada in 1977, he had extensive merchant banking experience in South Africa and the U.K. Dr. Melman is Chairman of The Baycrest Centre for Geriatric Care, a director of the University of Toronto Asset Management Corporation, and a member of the Board of Governors of Mount Sinai Hospital. He is also Chair of Fundraising for the Pediatric Oncology Group of Ontario (POGO). Dr. Melman holds a Bachelor of Science degree in Chemical Engineering from the University of The Witwatersrand, a Master of Business Administration (gold medallist) from the University of Cape Town and a Ph.D. in Finance from the University of The Witwatersrand.

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

Charles W. Szuluk was formerly an officer of Ford Motor Company and President of Visteon Automotive Systems. Mr. Szuluk has been a director of Celestica since 2003. From 1988 until 1999, he held positions of increasing responsibility with Ford, including General Manager, Electronics Division, and Vice President, Process Leadership and Information Systems. He retired from Ford in 1999. Prior to joining Ford, he spent 24 years with IBM in a variety of management and executive management positions. Mr. Szuluk holds a Bachelor of Science degree in Chemical Engineering from the University of Massachusetts and attended Union College of New York in Advanced Graduate Studies.

Don Tapscott is Chairman of New Paradigm, a business strategy and research company he founded in 1992, and an adjunct Professor of Management at the University of Toronto's Joseph L. Rotman School of Management. He is also an internationally respected authority, consultant and writer on business strategy and organizational transformation and the author of several widely-read books on the application of technology in

business. Mr. Tapscott is a founding member of the Business and Economic Roundtable on Addiction and Mental Health, and a fellow of the World Economic Forum. He has been a director of Celestica since 1998. Mr. Tapscott holds a Bachelor of Science degree in Psychology and Statistics, and a Master of Education degree, specializing in Research Methodology, as well as a Doctor of Laws (Hon.) from the University of Alberta.

Craig H. Muhlhauser is President and Chief Executive Officer. He is also a member of the Board of Directors. Prior to holding his current position, Mr. Muhlhauser was President and Executive Vice President of Worldwide Sales and Business Development. Before joining Celestica in May 2005, Mr. Muhlhauser was the President and Chief Executive Officer of Exide Technologies. Mr. Muhlhauser was serving as President of Exide Technologies when that entity filed for bankruptcy in 2002, was named Chief Executive Officer of Exide Technologies shortly thereafter and successfully led the company out of bankruptcy protection in 2004. Prior to that, he held the role of Vice President, Ford Motor Company and President, Visteon Automotive Systems. Throughout his career, he has worked in a range of industries spanning the consumer, industrial, communications, utility, automotive and aerospace and defense sectors. Mr. Muhlhauser holds a Master of Science degree in Mechanical Engineering and a Bachelor of Science degree in Aerospace Engineering from the University of Cincinnati.

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

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

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

John Peri is Executive Vice President, Global Operations. He is responsible for overseeing Celestica's manufacturing and supply chain operations in Asia, Europe and the Americas. Mr. Peri previously held the role of President, Asia Operations, with responsibility for Celestica's manufacturing footprint in China, Hong Kong,

India, Japan, Malaysia, Philippines, Singapore and Thailand. Prior to that, he held senior level positions in the areas of quality, manufacturing excellence, services and regional leadership. Mr. Peri joined IBM Canada in 1984 and was part of the founding management team of Celestica. Over the course of his career, he has held a number of leadership positions in operations, engineering and account management. He holds a Bachelor of Applied Science degree in Industrial Engineering from the University of Toronto.

Michael L. Andrade is Senior Vice President, Strategic Business Development. In this role, he supports the company's strategy, marketing, corporate development and sales operations teams, with a focus on identifying, evaluating and leading the implementation of future opportunities that will drive growth for Celestica. Mr. Andrade joined Celestica from IBM in 1994 as part of the company's original management team, and has since held positions of increasing responsibility with the company. Prior to his current role, he was the Senior Vice President and General Manager of Celestica's Communications Market Segment. His diverse experience spans engineering, finance, operations management, mergers and acquisitions and commodity management. He holds a Bachelor of Engineering Science degree from the University of Western Ontario, a Master of Business Administration degree from York University in Ontario, and is a member of the Professional Engineers of Ontario.

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

Patrick F. Flynn is Chief Information Officer. He is responsible for aligning Celestica's IT strategy with its business goals and ensuring the company's integrated IT systems and processes provide exceptional performance for customers. Mr. Flynn joined Celestica in 2007, with over 25 years of technology and operations experience leading large, global organizations in the media, manufacturing, transportation and service industries. Most recently, he was the Senior Vice President and Chief Technology Officer of Getty Images, Inc. Prior to that, Mr. Flynn held the roles of Vice President and Chief Information Officer of PACCAR, Inc. and Vice President, Systems Development of Fruit of the Loom. Mr. Flynn holds a Bachelor of Science, Business Administration degree from San Diego State University.

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

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

Robert J. Sellers is Senior Vice President and General Manager, Consumer Market Segment. In this role, he is responsible for the strategic direction and growth of Celestica's customers in the consumer market. Previously, Mr. Sellers was Senior Vice President, Global Sales, and prior to that, led the sales organization for Celestica's Americas and Asia regions. He joined Celestica in 2003 in the role of Vice President, Market Development in

the area of Consumer Electronics. Mr. Sellers has had a 14-year career in the EMS industry. He holds a Bachelor of Science degree in Industrial and Operations Engineering from the University of Michigan.

Rahul Suri is Senior Vice President and General Manager, Enterprise Market Segment. He sets and executes the strategy for the global enterprise IT segment of Celestica's business and is responsible for all activities associated with this business, including sales, business development and operations. Prior to this, he was Senior Vice President, Corporate Development, responsible for directing Celestica's worldwide non-organic growth initiatives, including mergers and acquisitions, joint ventures and partnerships. Prior to joining Celestica, he held various positions in the mergers and acquisitions field. He was also a visiting professor at Queen's University Law School for three years, where he taught advanced corporate law and mergers and acquisitions. Mr. Suri has a Master of Arts degree in Law from Cambridge University. He is also a member of the Law Society of Upper Canada.

David W. Tiley is Senior Vice President, Services Integration. He is responsible for integrating Celestica's services offerings into the company's Global Operations and Supply Chain Management Solutions Organizations. Previously, Mr. Tiley led Celestica's Global Services Organization since July 2005. Before joining Celestica in 2004, Mr. Tiley was the founder, President and Chief Executive Officer of Alventive, a product lifecycle management company, focused on the new product introduction process. He was also Chief Executive Officer of Visionary Design Systems and IronCAD, and prior to that spent several years at Hewlett-Packard in a number of sales, marketing and management roles. Mr. Tiley holds a Bachelor of Science degree in Mechanical Engineering from Purdue University.

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

B. Compensation

Compensation of Directors

Director compensation is set by the Board on the recommendation of the Compensation Committee and in accordance with director compensation guidelines established by the Nominating and Corporate Governance Committee (the "Governance Committee"). Under these guidelines, the Board seeks to maintain director compensation at a level that is competitive with director compensation at comparable companies. The Compensation Committee engaged Towers Perrin Inc. ("Towers Perrin") as its independent compensation consultant to assist in identifying appropriate comparator companies against which to evaluate Celestica's compensation levels, to provide data about those companies, and to provide observations and recommendations with respect to Celestica's compensation versus the comparator group.

The guidelines also contemplate that at least half of each director's compensation be paid in deferred share units ("DSUs"). Each DSU represents the right to receive one subordinate voting share of the Corporation when the director ceases to be a director. Towers Perrin provides advice to the Compensation Committee on policy recommendations prepared by management. Towers Perrin attended portions of all Compensation Committee meetings held in 2007, in person or by telephone, as requested by the Committee Chair. Decisions made by the Compensation Committee, however, are the responsibility of the Compensation Committee and may reflect factors and considerations other than the information and recommendations provided by Towers Perrin.

Celestica has a minimum shareholding requirement for independent directors (the "Guideline"). The Guideline provides that independent directors are to hold securities of Celestica with a value equivalent to five times their respective annual retainer. Although directors will not be deemed to have breached the Guideline by reason of a decrease in the market value of Celestica's securities, the directors will be required to purchase further securities within a reasonable period of time to comply with the Guideline. Directors have until the later of five years from their respective first election dates and five years from April 22, 2004, the effective date of the Guideline, to meet the share ownership requirement. All of Celestica's directors are in compliance with, or on track to be in, compliance with the Guideline. See Table 3.

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

Table 1: Retainers and Meeting Fees for 2008

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

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

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

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

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

Directors also receive annual grants of DSUs. Each director receives \$65,000 worth of DSUs annually, except for the Chairman, who receives \$130,000 worth of DSUs annually. The number of DSUs paid is calculated by dividing the cash amount that would otherwise be payable quarterly by the closing price of subordinate voting shares on the NYSE on the last business day of the quarter. Eligible directors receive an initial grant of 10,000 DSUs when they are appointed to the Board. Directors do not receive options as the Board elected to discontinue the director option program in 2004.

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

The compensation paid in 2007 by the Company to our directors is set out in Table 2. None of the directors received any fee or payment from Celestica except as set out below. Mr. Schwartz is an officer of Onex and did not receive any compensation in his capacity as a director of the Company in 2007. Mr. Muhlhauser, as President and Chief Executive Officer of the Company, also did not receive any director's fees from the Company in 2007.

Table 2: Director Fees Paid in 2007

| Name | Board Annual Retainer | Chairman Annual Retainer | Committee Chair Annual Retainer | Total Attendance Fees | Total Fees Payable | Portion of Fee Taken in Cash or Applied to DSUs | Annual DSU Grant (#) |
|----------------------------------|-----------------------|--------------------------|---------------------------------|-----------------------|--------------------|---|----------------------|
| Robert L. Crandall | \$ 45,000 | \$ 30,000 | \$ 20,000 | \$ 95,000 | \$ 190,000 | 100% DSUs | 6,700 |
| William A. Etherington | \$ 45,000 | — | \$ 10,000 | \$ 75,000 | \$ 130,000 | 100% DSUs | 3,350 |
| Richard S. Love | \$ 45,000 | — | — | \$ 52,500 | \$ 97,500 | 50% cash and 50% DSUs | 3,350 |
| Anthony R. Melman ⁽¹⁾ | \$ 45,000 | — | — | \$ 42,500 | \$ 87,500 | 100% DSUs | 3,350 |
| Craig H. Muhlhauser | — | — | — | — | — | — | — |
| Gerald W. Schwartz | — | — | — | — | — | — | — |
| Charles W. Szuluk | \$ 45,000 | — | — | \$ 62,500 | \$ 107,500 | 50% cash and 50% DSUs | 3,350 |
| Don Tapscott | \$ 45,000 | — | — | \$ 35,000 | \$ 80,000 | 100% DSUs | 3,350 |

(1) Dr. Melman is not standing for re-election to the Board of Directors.

The total fees paid to the Board in 2007 were \$692,500. In addition, a total annual grant of 23,450 DSUs was made. Based on the closing price of Celestica subordinate voting shares on the NYSE on February 25, 2008 of \$6.55, the value of the total annual DSU grant was \$153,598.

Directors' Equity Interest

The following table sets out each director's direct or indirect beneficial ownership of, or control or direction over, equity in the Corporation, and any changes therein since February 19, 2007.⁽¹⁾

Table 3: Equity Interest Other than Options

| Director | Date | SVS ⁽²⁾ | DSU | RSU | Market Value* | Shareholding Requirement | | |
|------------------------------------|-----------|--------------------------|---------|---------|---------------|-----------------------------------|--------------------------------|---------------------------------|
| | | | | | | Target Value (5x annual retainer) | Date by which target to be met | Meet or on track to meet target |
| | | (#) | (#) | (#) | | | | |
| Robert L. Crandall | 19-Feb-07 | 20,000 | 94,451 | 62,500 | \$ 1,384,736 | \$ 800,000 | 22-Apr-09 | yes |
| | 25-Feb-08 | 20,000 | 128,910 | 62,500 | | | | |
| | Change | 0 | 34,459 | 0 | | | | |
| William A. Etherington | 19-Feb-07 | 10,000 | 45,856 | 0 | \$ 504,913 | \$ 375,000 | 22-Apr-09 | yes |
| | 25-Feb-08 | 10,000 | 67,086 | | | | | |
| | Change | 0 | 21,230 | | | | | |
| Richard S. Love | 19-Feb-07 | 5,000 | 21,865 | 0 | \$ 242,966 | \$ 325,000 | 22-Apr-09 | yes |
| | 25-Feb-08 | 5,000 | 32,094 | | | | | |
| | Change | 0 | 10,229 | | | | | |
| Anthony R. Melman | 19-Feb-07 | 450,000 ⁽³⁾ | 26,136 | 0 | \$ 3,219,803 | \$ 325,000 | N/A ⁽⁴⁾ | N/A |
| | 25-Feb-08 | 450,000 | 41,573 | | | | | |
| | Change | 0 | 15,437 | | | | | |
| Craig H. Muhlhauser ⁽⁶⁾ | 19-Feb-07 | 9,839 | 0 | 358,000 | \$ 6,384,842 | N/A | N/A | N/A |
| | 25-Feb-08 | 24,285 | 0 | 950,500 | | | | |
| | Change | 14,446 | 0 | 592,500 | | | | |
| Gerald W. Schwartz | 19-Feb-07 | 2,356,105 ⁽⁵⁾ | 0 | 0 | \$ 14,650,470 | N/A | N/A | N/A |
| | 25-Feb-08 | 2,236,713 | 0 | | | | | |
| | Change | (119,392) | 0 | | | | | |
| Charles W. Szuluk | 19-Feb-07 | 1,415 | 21,807 | 0 | \$ 224,423 | \$ 325,000 | 22-Apr-09 | yes |
| | 25-Feb-08 | 1,415 | 32,848 | | | | | |
| | Change | 0 | 11,041 | | | | | |
| Don Tapscott | 19-Feb-07 | 5,700 | 59,662 | 0 | \$ 520,764 | \$ 325,000 | 22-Apr-09 | yes |
| | 25-Feb-08 | 5,700 | 73,806 | | | | | |
| | Change | 0 | 14,144 | | | | | |

* Based on the NYSE closing share price of \$6.55 on February 25, 2008.

(1) Information as to securities beneficially owned, directly or indirectly, or securities over which control or direction is exercised, is not within Celestica's knowledge and therefore has been provided by each nominee.

- (2) Certain shares subject to options granted pursuant to management investment plans of Onex are included as owned beneficially by named individuals although the exercise of these options is subject to Onex meeting certain financial targets. More than one person may be deemed to have beneficial ownership of the same securities.
- (3) Includes 274,588 subordinate voting shares owned by Onex which are subject to options granted to Dr. Melman pursuant to certain management investment plans of Onex.
- (4) Dr. Melman is not standing for re-election as a director.
- (5) Includes 188,744 subordinate voting shares owned by a company controlled by Mr. Schwartz and all of the shares of Celestica beneficially owned by Onex or in respect of which Onex exercises control or direction, of which 1,077,500 subordinate voting shares are subject to options granted to Mr. Schwartz pursuant to certain management investment plans of Onex. Includes 11,635,958 Multiple Voting Shares held by a wholly-owned subsidiary of Onex, 1,434,141 subordinate voting shares held in trust for Celestica Employee Nominee Corporation as agent for and on behalf of certain executives and employees of Celestica pursuant to certain of Celestica's employee share purchase and option plans. Mr. Schwartz is the Chairman of the Board, President and Chief Executive Officer of Onex, and owns multiple voting shares of Onex carrying the right to elect a majority of the Onex board of directors. Accordingly, Mr. Schwartz is deemed to be the beneficial owner of shares of Celestica owned by Onex; Mr. Schwartz, however, disclaims such beneficial ownership of shares held by Onex and Celestica Employee Nominee Corporation. The change in the number of the Celestica shares held in comparison to February 19, 2007 is in respect of shares held by Celestica Employee Nominee Corporation.
- (6) Includes RSUs and PSUs at target granted to Mr. Muhlhauser as part of his compensation as President and CEO of the Company. Mr. Muhlhauser is subject to shareholding requirements as CEO of the Company.

Historical Option Grants to Directors

In 2005, we amended our Long Term Incentive Plan ("LTIP") to prohibit the granting of options to acquire subordinate voting shares to directors. Table 4 sets out information relating to option grants to directors between 1998 and 2004, which were made at the closing market price on the business day prior to the date of grant. Exercise prices range from \$8.75 to C\$72.60. Options vest over three or four years and expire after ten years. The final grant of options occurred on May 10, 2004; those options will expire on May 10, 2014. Mr. Schwartz and Dr. Melman, as employees of Onex during that period, were not granted options. Mr. Muhlhauser joined the Company in May 2005, was appointed Chief Executive Officer in November 2006 and became a director in August 2007. Table 4 includes information relating to option grants to Mr. Muhlhauser as an employee and officer of the Company.

Table 4: Options Granted to Directors

| Director | Remaining Exercisable Options | Total Options Granted | Value of Exercisable In-The-Money Options ⁽¹⁾ |
|------------------------------------|-------------------------------------|-----------------------------|---|
| | | | (\$) |
| Robert L. Crandall | 127,500 | 130,000 | 0 |
| William A. Etherington | 33,750 | 35,000 | 0 |
| Richard S. Love | 59,375 | 120,000 | 0 |
| Craig H. Muhlhauser ⁽²⁾ | 208,415 | 1,276,244 | 79,334 |
| Charles W. Szuluk | 23,750 | 25,000 | 0 |
| Don Tapscott | 111,750 | 120,000 | 0 |

(1) Based on the NYSE closing share price of \$6.55 for subordinate voting shares on February 25, 2008.

(2) Mr. Muhlhauser was granted options and PCOs. See "— Annual Incentive Plans."

As of December 31, 2007, senior management and directors as a group held options to purchase a total of the following numbers of subordinate voting shares at the purchase price per share indicated below:

| Number of Subordinate Voting Shares | | Purchase Price Per Share |
|---|-----|-----------------------------|
| 70,000 | \$ | 5.88 |
| 982,784 | \$ | 6.05 |
| 91,500 | C\$ | 6.27 |
| 388,384 | C\$ | 7.10 |
| 20,304 | \$ | 7.50 |
| 118,000 | \$ | 8.75 |
| 212,807 | \$ | 10.00 |
| 3,750 | \$ | 10.40 |
| 42,500 | \$ | 10.62 |
| 1,050 | \$ | 10.67 |
| 131,365 | C\$ | 11.43 |
| 1,406 | \$ | 12.80 |
| 5,625 | \$ | 12.99 |
| 50,000 | \$ | 13.00 |
| 28,125 | \$ | 13.52 |
| 4,000 | \$ | 13.69 |
| 7,250 | \$ | 14.20 |
| 54,400 | \$ | 14.86 |
| 8,000 | C\$ | 15.35 |
| 15,000 | C\$ | 16.20 |
| 20,000 | \$ | 16.43 |
| 26,667 | \$ | 17.10 |
| 28,833 | \$ | 17.15 |
| 79,800 | C\$ | 18.00 |
| 27,500 | \$ | 18.25 |
| 25,000 | \$ | 18.66 |
| 5,000 | \$ | 19.64 |
| 6,000 | \$ | 19.81 |
| 39,600 | C\$ | 20.63 |
| 3,750 | \$ | 21.83 |
| 110,001 | C\$ | 22.75 |
| 3,000 | C\$ | 23.29 |
| 30,000 | \$ | 23.41 |
| 6,666 | C\$ | 24.92 |
| 117,000 | C\$ | 29.11 |
| 5,000 | \$ | 32.40 |
| 20,000 | C\$ | 34.50 |
| 20,000 | \$ | 35.95 |
| 30,000 | \$ | 44.23 |
| 30,000 | \$ | 48.69 |
| 20,000 | C\$ | 66.78 |
| 20,000 | C\$ | 72.60 |

These options expire at various dates from March 23, 2008 through July 31, 2017. See "— Compensation — Long-Term Incentives" below. See note 9 to the Consolidated Financial Statements in Item 18 for further information about options.

Remuneration of Named Executive Officers

The following table sets forth the compensation received by Celestica's Chief Executive Officer, Chief Financial Officer and the three other most highly compensated executives of Celestica and its subsidiaries (collectively, the "Named Executive Officers") for the three most recently completed financial years of the Company.

Table 5: Summary Compensation

| Name and Position | Year | Long-Term Compensation Awards | | | | |
|--|--------|------------------------------------|---------------------------------|---|--|---------------------------------------|
| | | Annual Compensation ⁽¹⁾ | | Securities Under Options Granted ⁽³⁾ | Units Subject to Resale Restriction — Restricted Share/Performance Share Units ⁽⁴⁾⁽⁵⁾ | All Other Compensation ⁽⁶⁾ |
| | | Salary | Annual Incentive ⁽²⁾ | | | |
| (US\$) | (US\$) | (#) | (US\$) | (US\$) | | |
| Craig H. Muhlhauser President and Chief Executive Officer | 2007 | 750,000 | 560,650 | 450,000 | 3,857,175 | 54,838 |
| | 2006 | 566,667 | 0 | 702,000 | 1,010,350 | 12,100 |
| | 2005 | 343,750 | 237,064 | 124,244 | 2,210,000 | 6,981 |
| Paul Nicoletti ⁽⁷⁾⁽⁸⁾ EVP, Chief Financial Officer | 2007 | 476,658 | 258,137 | 241,500 | 1,448,718 | 21,687 |
| | 2006 | 265,961 | 11,569 | 37,880 | 294,090 | 16,867 |
| | 2005 | 239,373 | 88,437 | 21,591 | 332,500 | 10,735 |
| John Peri ⁽⁸⁾ EVP, Global Operations | 2007 | 486,290 | 159,932 | 130,000 | 1,114,297 | 402,711 |
| | 2006 | 394,797 | 52,884 | 121,212 | 268,886 | 412,998 |
| | 2005 | 328,271 | 140,490 | 20,455 | 315,000 | 263,657 |
| Elizabeth L. DelBianco ⁽⁸⁾ EVP, Chief Legal and Administrative Officer and Corporate Secretary | 2007 | 415,523 | 192,567 | 120,000 | 1,028,580 | 16,463 |
| | 2006 | 361,111 | 24,434 | 36,364 | 282,330 | 19,319 |
| | 2005 | 321,915 | 145,361 | 21,591 | 332,500 | 22,700 |
| Rahul Suri ⁽⁸⁾ SVP, Enterprise Market Segment | 2007 | 454,292 | 243,973 | 60,000 | 514,290 | 18,155 |
| | 2006 | 430,335 | 29,750 | 30,304 | 235,272 | 22,044 |
| | 2005 | 402,806 | 148,817 | 18,864 | 290,500 | 1,832,603 |
| Anthony Puppi ⁽⁸⁾ former EVP, Chief Financial Officer | 2007 | 188,512 | N/A | N/A | N/A | 1,510,396 |
| | 2006 | 714,286 | 0 | 0 | 0 | 7,118 |
| | 2005 | 668,593 | 351,305 | 60,990 | 747,500 | 6,663 |

(1) Excludes perquisites and other benefits because such compensation did not exceed the lesser of C\$50,000 and 10% of the total annual salary and bonus for any of the Named Executive Officers.

(2) Amounts in this column represent incentive payments made to the Named Executive Officers through the annual incentive program and a discretionary bonus payment for 2007.

(3) All amounts in this column represent options or PCOs. Annual option grants were granted on February 5, 2008 with an exercise price of \$6.51/CS\$6.51, which were the closing prices for Celestica subordinate voting shares on February 4, 2008 on the NYSE and TSX, respectively. Options vest over 4 years. Celestica did not grant PCOs in 2007. PCOs vest over 3 years and are subject to performance conditions. See "— Performance Contingent Stock Options." The number of PCOs is included at target performance. The number that will actually vest will vary from 0-200% of target.

(4) Amounts shown represent RSUs and PSUs issued under the LTIP or the CSUP, valued as of the grant date. The RSUs for 2007 were granted on February 5, 2008 and vest in thirds on a yearly basis with the final vesting on December 1, 2010. The share price used to value the units granted on February 5, 2008 is \$6.51 which was the closing price of Celestica subordinate voting shares on the NYSE on February 4, 2008. PSUs are subject to performance conditions (see "— Performance Share Units") and vest on completion of the performance period (typically three years). The number of PSUs is shown in the tables below at target performance. The number that will actually vest will vary from 0-200% of the target amount shown. Dividends or dividend equivalents are not paid on the RSUs or PSUs issued under the LTIP or CSUP.

(5) The table below represents the number of share units granted for 2007, as set forth in the Summary Compensation Table, and the corresponding vesting dates.

Celestica's Mid-Term Incentive Plan Awards*

| Name | Restricted Share Units | | Performance Share Units | | | | |
|------------------------|------------------------------|--------------------------------|-------------------------|------------------|------------------------------|-----------------------------|------------------------------|
| | Units Granted ⁽ⁱ⁾ | Release Date | Units Granted | Release Date | Released Minimum Performance | Released Target Performance | Released Maximum Performance |
| | (#) | | (#) | | (#) | (#) | (#) |
| Craig H. Muhlhauser | 367,500 | December 1, 2010 | 225,000 | February 5, 2011 | 0 | 225,000 | 450,000 |
| Paul Nicoletti | 148,200 | May 7, 2010 — December 1, 2010 | 75,000 | February 5, 2011 | 0 | 75,000 | 150,000 |
| John Peri | 106,167 | December 1, 2010 | 65,000 | February 5, 2011 | 0 | 65,000 | 130,000 |
| Elizabeth L. DelBianco | 98,000 | December 1, 2010 | 60,000 | February 5, 2011 | 0 | 60,000 | 120,000 |
| Rahul Suri | 49,000 | December 1, 2010 | 30,000 | February 5, 2011 | 0 | 30,000 | 60,000 |
| Anthony Puppi | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

* See "— *Mid-Term and Long-Term Incentives*" for a description of the material terms of the awards.

(i) All amounts shown in this column represent RSUs were granted for 2007 on February 5, 2008 with the exception of Mr. Nicoletti. Mr. Nicoletti was granted 10,700 RSUs on May 7, 2007; 15,000 RSUs on July 31, 2007 and 122,500 RSUs on February 5, 2008.

The table below represents the aggregate number of units outstanding at target performance levels for each of the Named Executive Officers, and the value of such units as at December 31, 2007 based on a share price of \$5.80 (the closing price of the subordinate voting shares on the NYSE on December 31, 2007). Units granted on February 5, 2008 are not included in this table.

Performance/Restricted Share Units Outstanding as at December 31, 2007

| Name | Type of Unit | Aggregate Number of Units | Value of each Unit type at December 31, 2007 | Total value as at December 31, 2007 |
|------------------------|--------------|---------------------------|--|-------------------------------------|
| | | (#) | (US\$) | (US\$) |
| Craig H. Muhlhauser | RSU | 184,000 | 1,067,200 | 2,076,400 |
| | PSU | 174,000 | 1,009,200 | |
| Paul Nicoletti | RSU | 74,672 | 433,098 | 623,848 |
| | PSU | 32,888 | 190,750 | |
| John Peri | RSU | 13,500 | 78,300 | 440,475 |
| | PSU | 62,444 | 362,175 | |
| Elizabeth L. DelBianco | RSU | 47,583 | 275,981 | 463,512 |
| | PSU | 32,333 | 187,531 | |
| Rahul Suri | RSU | 34,672 | 201,098 | 394,041 |
| | PSU | 33,266 | 192,943 | |
| Anthony Puppi | RSU | N/A | N/A | N/A |
| | PSU | N/A | N/A | |
| Total | RSU | 354,427 | 2,055,677 | 3,998,276 |
| | PSU | 334,931 | 1,942,599 | |

(6) Amounts shown in the column represent: (i) amounts contributed under Celestica's pension plans and arrangements for Messrs. Nicoletti, Peri, Suri and Ms. DelBianco (see "— *Pension Plans*") and amounts contributed to the US Plan for Mr. Muhlhauser, (ii) Celestica contributions to CESOP for Messrs. Muhlhauser, Puppi and Peri (see "— *Celestica Employee Share Ownership Plan*"); (iii) in Mr. Suri's case, a retention bonus in 2005; (iv) other compensation for Mr. Peri includes assignment related payments that include housing expenses of \$80,028 for 2005, \$174,623 for 2006 and \$151,714 for 2007; (v) other compensation for Mr. Muhlhauser includes housing expenses of \$33,685 for 2007 while he is in Canada; and (vi) in Mr. Puppi's case, a payment in connection with his retirement from the Company.

(7) Mr. Nicoletti was promoted to EVP, Chief Financial Officer on June 18, 2007 and received a grant of 10,700 RSUs on May 7, 2007 and a grant of 15,000 RSUs on July 31, 2007. He also received a stock option grant of 91,500 options on July 31, 2007 with an exercise price of C\$6.27.

(8) Messrs. Nicoletti, Peri, Suri and Puppi and Ms. DelBianco are paid in Canadian dollars. Amounts shown are in U.S. dollars converted at a rate of C\$1.0742 for 2007, C\$1.1340 per US\$1.00 for 2006, C\$1.2115 per US\$1.00 for 2005.

The following table sets out options to purchase subordinate voting shares granted by the Company to the Named Executive Officers in relation to the year ended December 31, 2007.

Table 6: Options Granted during 2007

| Name | Securities, Under Options Granted ⁽¹⁾ | % of Total Options Granted to Employees in 2007 | Exercise or Base Price | | Market Value of Securities Underlying Options on the Date of Grant | | Expiration Date |
|-------------------------------|--|---|------------------------|---------------|--|---------------|--------------------------------|
| | (#) | | | (\$/Security) | | (\$/Security) | |
| Craig H. Muhlhauser | 450,000 | 18% | \$ | 6.51 | \$ | 6.51 | Feb. 5, 2018 |
| Paul Nicoletti ⁽²⁾ | 241,500 | 10% | C\$ | 6.27/ | C\$ | 6.27/ | July 31, 2017; Feb. 5, 2018 |
| | | | C\$ | 6.51 | C\$ | 6.51 | Feb. 5, 2018 |
| John Peri | 130,000 | 5% | C\$ | 6.51 | C\$ | 6.51 | Feb. 5, 2018 |
| Elizabeth L. DelBianco | 120,000 | 5% | C\$ | 6.51 | C\$ | 6.51 | Feb. 5, 2018 |
| Rahul Suri | 60,000 | 2% | C\$ | 6.51 | C\$ | 6.51 | Feb. 5, 2018 |
| Anthony Puppi | N/A | 0% | | N/A | | N/A | N/A |

(1) All amounts shown in this column represent options. Options granted in respect of 2007 were granted on February 5, 2008 with an exercise price of \$6.51/C\$6.51, being the NYSE and TSX closing share price of the subordinate voting shares on the day prior to the date of grant, with the exception of 91,500 options granted to Mr. Nicoletti.

(2) Mr. Nicoletti was granted 91,500 options on July 31, 2007 with an exercise price of C\$6.27 and 150,000 options on February 5, 2008 with an exercise price of C\$6.51, which were the TSX closing share prices of the subordinate voting shares on the days prior to the respective grants.

Options Exercised During Most Recently Completed Financial Year and Value of Options at December 31, 2007

The following table sets out certain information with respect to options to purchase subordinate voting shares that were exercised by Named Executive Officers during the year ended December 31, 2007 and subordinate voting shares under option to the Named Executive Officers as at December 31, 2007 as well as the number of share units released during 2007 under those plans with a multi-year payout.

Table 7: Options Exercised During 2007, Value of Share Awards Released During 2007 and Value of Options as at December 31, 2007

| Name | Subordinate Voting Shares Acquired on Exercise | Aggregate Value Realized | Value of Share Awards Released During 2007 ⁽³⁾ | Unexercised Options at December 31, 2007 ⁽¹⁾ | | Value of Unexercised in-the-Money Options at December 31, 2007 ⁽²⁾ | |
|------------------------|--|--------------------------|---|---|---------------|---|---------------|
| | | | | Exercisable | Unexercisable | Exercisable | Unexercisable |
| | (#) | (US\$) | | (#) | (#) | (US\$) | (US\$) |
| Craig H. Muhlhauser | 0 | 0 | 0 | 37,374 | 788,870 | 0 | 0 |
| Paul Nicoletti | 0 | 0 | 68,875 | 52,863 | 148,974 | 0 | 0 |
| John Peri | 0 | 0 | 57,396 | 64,539 | 139,095 | 0 | 0 |
| Elizabeth L. DelBianco | 0 | 0 | 57,396 | 76,039 | 55,383 | 0 | 0 |
| Rahul Suri | 0 | 0 | 45,917 | 63,133 | 46,702 | 0 | 0 |
| Anthony Puppi | 0 | 0 | 1,328,585 | 0 | 0 | 0 | 0 |

(1) Performance options are included at target performance level. The number that will actually vest will vary from 0-200% of the target amount shown.

(2) Based on the closing price of the subordinate voting shares on the NYSE on December 31, 2007 of \$5.80.

(3) Compensation values shown for Messrs. Nicoletti, Peri and Suri and Ms. DelBianco are based on a release date of December 9, 2007 using a share price of C\$5.77 and converted into US\$ at a rate of 1.0053 per U.S.\$1.00. Compensation values shown for Mr. Puppi are based on a release date of February 2, 2007 using a share price of C\$7.10 for 200,000 RSUs and a release date of May 7, 2007 using a share price of C\$7.64 for 17,400 RSUs and converted into U.S.\$ at a rate of C\$1.1755 and C\$1.1024, respectively, per US\$1.00.

Compensation Philosophy and Objectives

Celestica's executive compensation philosophies and practices are designed to attract, motivate and retain the leaders who will drive the success of the Company. We benchmark the Company against a peer group of direct EMS competitors and other technology companies of similar size to Celestica.

Compensation for executives is linked to Celestica's performance; it is positioned at the median of the peer group for median level performance, with the opportunity for above median compensation for performance that exceeds that of the peer group and less than median compensation for performance that is below that of the peer group.

The compensation package is designed to:

- Provide competitive fixed compensation (i.e., base salary and benefits), and a substantial amount of pay at risk. At risk pay will be realized through the annual, mid-term and long term incentive plans.
- Reward executives for achieving operational and financial results that meet or exceed our business plan and that are superior to those of our competitors through both annual incentives and equity-based mid-term and long-term incentives.
- Reward executives for achieving sustained, profitable growth that creates shareholder value through equity-based compensation (i.e., mid-term and long-term incentives).
- Recognize that the executives work as a team to achieve corporate results.
- Ensure direct accountability for the annual operating results and the long term financial performance of the Company.

The compensation of Celestica's executive officers is comprised of the following elements: base salary, short-term incentives (annual variable cash payments), mid-term incentives (performance and restricted share units), long-term incentives (options) and benefits. The following chart summarizes each element of compensation.

Table 8: Compensation Elements

| Element | Form | Eligibility | Performance Period | Determination |
|------------------|------|---|--------------------|--|
| Base Salary | Cash | All executives, up to and including CEO | 1 year | <ul style="list-style-type: none"> • Salary benchmarking at market median and individual performance determines pay level. |
| Annual Incentive | Cash | All executives, up to and including CEO | 1 year | <ul style="list-style-type: none"> • Various combinations of corporate and business unit results, depending on position. • Individual results. • Performance relative to key competitors for SVP level and above. |

| | | | | |
|---------------------|--|---|---|--|
| Mid-Term Incentive | Restricted Share Units ("RSUs") | All executives, up to and including CEO | For grants prior to 2008 — units typically released at the end of the 3 years term For grants in 2008, released ¹ / ₃ annually | <ul style="list-style-type: none"> • Each RSU entitles the holder to receive one subordinate voting share of Celestica on the release date. • Initial grant value is based on market median compensation and individual performance. • Final value is based on the share price at time of release. |
| Mid-Term Incentive | Performance Share Units ("PSUs") | All executives, up to and including CEO | Typically 3 years, released at end of the period | <ul style="list-style-type: none"> • Each PSU entitles the holder to receive one subordinate voting share of Celestica on the release date. • Initial grant value is based on market median compensation and individual performance. • Number of shares vested varies based on specific performance measure of return on invested capital in year 3 relative to those of direct electronics manufacturing service competitors and can range from 0 to 200% of grant. • Final value is based on share price at time of release. |
| Long-Term Incentive | Stock Options | All executives, up to and including CEO | Vest at a rate of 25% annually over the first four years with a 10-year term | <ul style="list-style-type: none"> • Initial grant value is based on market median compensation and individual performance. • Final value is based on share price at time of exercise relative to the exercise price, which is the closing market price on the business day prior to the date of the grant. |
| Benefits | Health, dental, pension, life insurance and long-term disability programs. | All employees | Ongoing | <ul style="list-style-type: none"> • Based on market median in local geography. |

Comparator Companies and Market Positioning

The Compensation Committee benchmarks all elements of executive compensation against executive compensation of a comparator group of North American companies in the technology sector with revenue similar to that of Celestica and including at least four of the Company's direct competitors in the electronics manufacturing services industry (the "EMS Competitors"). The Compensation Committee reviews and approves the comparator companies each year. In addition, when establishing executive compensation, including the

granting of incentives and equity-based elements, the Compensation Committee considers the potential value to the executives at different levels of corporate performance and the Company's stock price.

For executive positions where no direct comparison exists or where there is insufficient data within that group, benchmarking is done using executive salary survey data for organizations similar in size to Celestica pursuant to a process approved by the Compensation Committee.

Target compensation is benchmarked at the market median (50th percentile) for both executive and non-executive levels for performance at the median of the market, with additional compensation available for above median performance.

Weighting of Compensation Elements

At the executive levels, a high portion of the weighting includes "at risk" components which comprise an annual cash incentive and equity-based incentive awards. The variable portion of total compensation has the highest weighting at the most senior levels. We are also subject to the United States Sarbanes-Oxley Act of 2002. Accordingly, if we were required to restate financial results due to misconduct or material non-compliance with financial reporting requirements, our Chief Executive Officer and Chief Financial Officer would be required to reimburse the Company for any bonuses or incentive-based compensation they had received during the 12-month period following the restatement as well as any profits they had realized from the sale of corporate securities during that period.

Rewards are contingent on organizational performance and ensure a strong alignment with shareholder interests. The weighting of compensation elements for 2007 is set out in the following chart.

Table 9: Weighting of Compensation Elements

| | Base Salary | Annual Incentive | Equity |
|-----|-------------|------------------|--------|
| CEO | 12.5% | 12.5% | 75.0% |
| EVP | 21.5% | 17.0% | 61.5% |
| SVP | 33.5% | 16.5% | 50.0% |
| VP | 47.0% | 16.5% | 36.5% |

Base Salary

Base salaries are established by taking into account individual performance and experience, level of responsibility and competitive pay practices through market median benchmarking. Base salaries are reviewed annually and adjusted as appropriate. Although base salaries are not directly linked to corporate performance, the Company considers the level of corporate performance achieved in the prior year as well as the expected level of performance in making any adjustments. The Compensation Committee reviews and recommends to the Board individual salary increases for the Chief Executive Officer, as well as all Executive and Senior Vice Presidents.

Annual Incentive Plans

Celestica Executive Team Incentive Plan

Senior executives of the Company participate in the Celestica Executive Team Incentive Plan. Payments under this plan are tied to achievement relative to pre-determined targets for financial and customer results at a corporate or business unit level, individual performance and the Corporation's performance relative to that of EMS Competitors on key financial metrics.

$$\begin{array}{ccccccc}
 \text{Business Results} & & \text{X} & & \text{Target Annual} & & \text{X} & & \text{Individual} & & \text{X} & & \text{Relative Performance} & & \text{=} & & \text{Annual} \\
 \text{Based on ROIC, EBIAT} & & & & \text{Incentive \% of} & & & & \text{Performance Factor} & & & & \text{Factor} & & & & \text{Incentive} \\
 \text{(defined below) and} & & & & \text{Salary} & & & & & & & & & & & & \text{Payment \% of} \\
 \text{Customer Loyalty} & & & & & & & & & & & & & & & & \text{Salary}
 \end{array}$$

Corporate targets are based on return on invested capital ("ROIC"), Earnings before Interest, Amortization and Taxes ("EBIAT") and customer loyalty. Targets are approved by the Board on the recommendation of the Compensation Committee.

Results for these metrics determine the amount of the annual cash incentive. In addition, each metric of the incentive plan is capped at a target level of achievement unless a corporate profitability threshold is met. In 2007, corporate business results were below target.

For those executives at the level of Senior Vice President and higher, the Compensation Committee reviews each executive's individual performance relative to business results, teamwork and the executive's key accomplishments. This assessment is factored into the executive's actual award and can increase or decrease the value of the incentive award.

The Compensation Committee also evaluates the Company's performance for the year relative to that of the EMS Competitors. This evaluation is based on performance metrics relating to ROIC but is ultimately within the Committee's discretion. Improvements in ROIC over the year resulted in a relative performance factor of 90%. In 2007, annual incentive payments to most executives were substantially below target. The average senior executive payment was about 23% of the target annual incentive amount. See "*— Special Discretionary Bonus.*"

Mid-Term and Long-Term Incentives

Celestica's mid-term and long-term equity-based incentives for senior executives consist of RSUs, PSUs, and stock options. The objectives of the mid-term and long-term equity-based incentive plans are to:

- align employee interests with those of shareholders and incent appropriate behaviours for long-term performance;
- reward employees for their contribution to Celestica's success; and
- enable the Company to attract and retain the qualified and experienced employees who are critical to the Company's success.

The equity mix varies by employee level and targets a higher percentage of performance elements at the senior levels where there is a stronger influence on results.

The Compensation Committee approves all awards under equity-based incentive plans for the Chief Executive Officer and the Executive and Senior Vice Presidents.

Mid-term and long-term incentives to employees are issued under the LTIP, which allows Celestica to satisfy its obligations by issuing shares from treasury, acquiring shares in the market or paying cash. Incentives are also issued under the Celestica Share Unit Plan (the "CSUP"), which provides for the issuance of RSUs and PSUs in the same manner as provided in the LTIP, except that Celestica may not issue shares from treasury to satisfy its obligations under the CSUP and there is no limit on the subordinate voting shares that may be issued under the terms of the CSUP. In determining the number of equity grants to be made in a given year, Celestica targets a maximum level for both "burn rate" and "overhang" after taking into account competitive practice with reference to a comparison group that includes its direct competitors. "Burn rate" refers to the number of shares reserved for issuance under equity plans in a given year relative to the total number of shares outstanding. "Overhang" refers to the total number of shares reserved for issuance under equity plans at any given time relative to the total number of shares outstanding. Celestica is taking measures to lower the "overhang" and "burn rate" and has considerably reduced the number of stock option grants it now awards. In 2005, Celestica amended the LTIP to provide that the number of grants awarded under the plan in any given year cannot exceed 1.2% of the total number of shares outstanding.

The equity incentive mix for all executives is calculated using a target of 30% PSUs, 40% RSUs and 30% options. Actual mix may vary.

Equity grants to Mr. Muhlhauser in respect of 2007 performance consisted of RSUs, PSUs and stock options. Such equity based "at risk" compensation constituted 75% of Mr. Muhlhauser's targeted compensation.

Under the 2007 annual grant on February 5, 2008, Celestica provided Mr. Muhlhauser the following equity-based compensation:

- 225,000 PSUs. This assumes vesting at the target level of 100%. The actual number that vests will vary from 0 to 200% depending on performance. See "— Performance Share Units.";
- 367,500 RSUs; and
- 450,000 stock options.

The value of Mr. Muhlhauser's annual equity grants is approximately \$5,300,000, based on a share price of \$6.51 (the closing price of the subordinate voting shares on the NYSE on February 4, 2008).

Restricted Share Units

RSUs for executives are granted annually based on the recommendation of the CEO and subject to the approval of the Board. These grants are to be paid in the form of subordinate voting shares at the release date, which generally is approximately three years from the date of the grant. RSUs granted on February 5, 2008 will be released approximately one-third per year. The number of RSUs granted is determined with consideration to individual performance and with reference to grants at the median level for the comparator group.

The total number of RSUs granted to executives, including the Chief Executive Officer, as part of the 2007 annual grant was 1,702,254.

Throughout the year, Celestica also grants RSUs for new hire or retention purposes.

Performance Share Units

The use of PSUs allows Celestica to link rewards for executives more closely with individual and corporate performance. PSUs for executives are granted based on the recommendation of the CEO and subject to the approval of the Board. The number of PSUs granted is determined with consideration to individual performance and with reference to grants at the median level for the comparator group. These grants convert into subordinate voting shares and are released in full at the end of the performance period (approximately three years).

- The number of PSUs that vests is determined by Celestica's rank compared to the EMS Competitors on a ROIC performance metric as outlined in Table 10.
- High performance means units vest above the target level which results in an award above market median. Conversely, low performance will result in an award below market median or no award.

The total number of PSUs issued as part of the 2007 annual grant to executives, including the Chief Executive Officer, was 1,042,250 units at the target, or 100% achievement, level. The number of PSUs that actually vests will range from 0 to 200% of target depending on the Company's relative performance ranking.

For PSUs that vested in January 2008 or earlier, the number of shares that vested depended on Celestica's absolute ranking relative to a comparator group of four direct competitors. The vesting schedule is shown in Table 10.

**Table 10: Performance Vesting
PSU Vesting Schedule**

| Performance | Performance Multiplier |
|-------------|------------------------|
| 1st Ranked | 200% of target |
| 2nd Ranked | 150% of target |
| 3rd Ranked | 100% of target |
| 4th Ranked | 50% of target |
| 5th Ranked | 0% of target |

Based on performance in 2007, 50% of the target number of PSUs that were due to vest in 2007 actually vested.

For PSUs vesting in 2009 and later, the number of shares that vests will depend on Celestica's ranking relative to a comparator group of direct competitors as follows:

- If Celestica's performance is equal to, or greater than, that of the highest performing comparator, 200% of the units will vest.
- If Celestica's performance is equal to the median performance of the comparator group, 100% of the units will vest.
- If Celestica's performance is the lowest of the group, 0% of the units will vest.
- For performance between the median of the group and the highest performer, the number of shares that vests will be prorated between 100% and 200% on a straight-line basis.
- For performance between that of the lowest performer and the median of the group, the number of shares that vests will be prorated between 0% and 100% on a straight-line basis.

Stock Options

Stock options are granted annually under Celestica's LTIP, based on the recommendation of the Chief Executive Officer and subject to the approval of the Board. Stock options vest 25% annually over four years. The term of the options is ten years.

The total number of stock options granted to executives as part of the 2007 annual grant was 2,084,500. Throughout the year, Celestica also grants stock options for new hire or retention purposes.

Performance Contingent Stock Options

In the past, PCOs have been granted to the Chief Executive Officer, Executive Vice Presidents and selected Senior Vice Presidents. For 2007, no PCOs were issued and the Company does not expect to issue any in the future.

The number of PCOs that vests each year is dependent on Celestica's performance on a return on capital measure relative to that of the EMS Competitors for the relevant year, similar to the vesting schedule outlined for PSUs in Table 10. The number of PCOs that vests will range from 0 to 200% depending on the Company's performance ranking. A "catch up" provision applies such that PCOs that did not vest in a prior year due to performance will vest if in year two or three Celestica ranks first or second on its ROIC performance metric.

High performance means PCOs vest at above the target level and results in an award above market median compensation. Conversely, low performance will result in an award below market median or no award.

Based on performance, 50% of the target number of PCOs due to vest in 2007 actually vested.

Employee Share Purchase and Option Plans (the "ESPO Plans")

Celestica has issued subordinate voting shares and has granted options to acquire subordinate voting shares for the benefit of certain of its employees and executives pursuant to the ESPO Plans which were in effect prior to Celestica's initial public offering. No further options or subordinate voting shares (other than pursuant to outstanding options) may be issued under these ESPO Plans.

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

Upon the completion of Celestica's initial public offering, certain options became exercisable. The balance of the options issued under the ESPO Plans were fully vested as of December 31, 2002. All subordinate voting shares acquired by employees under the ESPO Plans, and which have not been sold by the employees, are held either by the employee or by HSBC Securities (Canada) Inc. in trust for Celestica Employee Nominee Corporation, as agent for and on behalf of such employees.

Celestica Employee Share Ownership Plan (the "CESOP")

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

Executive Share Ownership

The Company has share ownership guidelines for the Chief Executive Officer and Executive Vice Presidents. The guidelines provide that these individuals are to hold a multiple of their salary in Celestica stock as shown in Table 11 below. Executives subject to ownership guidelines are expected to achieve the specified ownership within a period of five years following the latest of: implementation of the guidelines (January 26, 2005); date of hire; or promotion to a level subject to ownership guidelines.

Table 11: Share Ownership Guidelines

| | Ownership Guidelines |
|------|-----------------------------|
| CEO | 3 × Salary |
| EVPs | 2 × Salary |

Compliance is reviewed annually on January 31. In assessing compliance, Celestica shares beneficially owned by the executive and all RSUs are included.

Special Discretionary Bonus

The Compensation Committee recognized that a number of the Company's significant financial and operational improvements in 2007 were not reflected in the results of the Celestica Executive Team Incentive Plan. The Board therefore authorized discretionary bonuses for individuals who contributed to the Company's accomplishments but were not rewarded for the contribution in the annual incentive plan. Awards to all Senior Vice Presidents and above were approved by the Board. Awards to other individuals were approved by the Chief Executive Officer. The total amount paid to Vice Presidents and above was approximately \$2,570,000.

Pension Plans

Mr. Muhlhauser participates in the "US Plan." The US Plan is a defined contribution pension plan and qualifies as a deferred salary arrangement under section 401(k) of the Internal Revenue Code. Under the US Plan, participating employees may defer 100% of their pre-tax earnings subject to any statutory limitations. Celestica may make contributions for the benefit of eligible employees. The US Plan allows employees to choose how their account balances are invested on their behalf within a range of investment options provided by third party fund managers.

During the year ended December 31, 2007, Celestica contributed \$13,500 in the aggregate to the US Plan for the benefit of Mr. Muhlhauser, which amount is included in the Summary Compensation table under "All Other Compensation." Except as described above, no other amounts were contributed by Celestica during the year ended December 31, 2007 for the purpose of providing pension, retirement or similar benefits for Mr. Muhlhauser.

Celestica's non-contributory pension plan (the "Canadian Pension Plan") has a defined benefit and a defined contribution portion, the defined benefit plan provides for a maximum of 30 years' service and retirement eligibility at the earlier of 30 years' service or age 55.

Messrs. Peri, Nicoletti and Suri and Ms. DelBianco participate only in the defined contribution portion of the Canadian Pension Plan. The defined contribution portion of the Canadian Pension Plan allows employees to choose how Celestica contributions are invested on their behalf within a range of investment options provided by third party fund managers. Celestica's contributions to this plan on behalf of an employee range from 3% to 6.75% of salary and paid annual incentive based on the number of years of service. Retirement benefits depend upon the performance of the investment options chosen. Messrs. Nicoletti, Peri and Suri and Ms. DelBianco participate in the Canadian Pension Plan. They also participate in an unregistered supplementary pension plan (the "Supplementary Plan") that provides benefits equal to the difference between the benefits determined in accordance with the formula set out in the Canadian Pension Plan and Canada Revenue Agency maximum pension benefits.

The 2007 percentage contribution and amounts are outlined below in Table 12. All amounts are included in the Summary Compensation table under "All Other Compensation".

Table 12: Retirement Benefit

2007 Canadian Contributions

| Name | Contribution % | Contribution C\$ |
|------------------------|----------------|------------------|
| Paul Nicoletti | 5.20% | \$ 23,296 |
| John Peri | 6.00% | \$ 34,280 |
| Elizabeth L. DelBianco | 3.75% | \$ 17,684 |
| Rahul Suri | 3.75% | \$ 19,502 |

Mr. Puppi participated only in the defined benefit portion of the Canadian Pension Plan. The benefit provided under this plan is equal to the benefit entitlement accrued under the relevant IBM plan prior to October 22, 1996, the date Celestica was divested from IBM, plus the benefits earned under the Canadian Pension Plan since that date. The terms of the Canadian Pension Plan, which were accepted by certain employees when they transferred to Celestica, mirrored those of the IBM pension plan in place at the time of divestiture. The Canadian Pension Plan is of a modified career average design with benefits based on a three-year average of salary and paid annual incentive to December 31 of a designated base year (the "Base Year"). In 2006, the Base Year was updated to December 31, 2005 and may be updated from time to time until December 31, 2009. Benefits for the period from October 22, 1996 to December 31, 2005 are calculated by multiplying years of service by the sum of (a) 0.9% of the three-year average of salary and paid annual incentive up to the yearly maximum pensionable earnings ("YMPE") level and (b) 1.45% of the three-year average of salary and paid annual incentive above the YMPE. Until the next Base Year update, benefits for each year after December 31, 2005 equals the sum of (a) 0.9% of that year's salary and paid annual incentive up to the YMPE level, and (b) 1.45% of the salary and paid annual incentive for that year above the YMPE. The defined benefit portion of the Canadian Pension Plan also provides for supplementary early retirement benefits from the date of early retirement to age 65.

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

Table 13: Canadian Pension Plan**Canadian Pension Plan Table⁽¹⁾⁽²⁾**

| Earnings Average | Years of Service | | | | |
|------------------|------------------|------------|------------|--------------------|------------|
| | 15 | 20 | 25 | 30+ ⁽³⁾ | 35 |
| \$100,000 | \$ 20,000 | \$ 27,000 | \$ 34,000 | \$ 40,000 | \$ 40,000 |
| \$200,000 | \$ 40,000 | \$ 54,000 | \$ 67,000 | \$ 81,000 | \$ 81,000 |
| \$300,000 | \$ 61,000 | \$ 81,000 | \$ 101,000 | \$ 121,000 | \$ 121,000 |
| \$400,000 | \$ 81,000 | \$ 107,000 | \$ 134,000 | \$ 161,000 | \$ 161,000 |
| \$500,000 | \$ 101,000 | \$ 134,000 | \$ 168,000 | \$ 201,000 | \$ 201,000 |
| \$600,000 | \$ 121,000 | \$ 161,000 | \$ 201,000 | \$ 242,000 | \$ 242,000 |
| \$700,000 | \$ 142,000 | \$ 188,000 | \$ 236,000 | \$ 282,000 | \$ 282,000 |
| \$800,000 | \$ 161,000 | \$ 215,000 | \$ 269,000 | \$ 322,000 | \$ 322,000 |
| \$900,000 | \$ 182,000 | \$ 242,000 | \$ 303,000 | \$ 363,000 | \$ 363,000 |
| \$1,000,000 | \$ 201,000 | \$ 269,000 | \$ 336,000 | \$ 403,000 | \$ 403,000 |

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

(2) All amounts are shown converted into US dollars from Canadian dollars at an average 2007 exchange rate of US\$1.00 = C\$1.0742.

(3) The maximum years of credited service for purposes of the Canadian Pension Plan is 30.

During the year ended December 31, 2007, Celestica accrued an aggregate of C\$94,762 to provide pension benefits to Messrs. Nicoletti, Peri and Suri and Ms. DelBianco pursuant to the Canadian Pension Plan. No other amounts were contributed or accrued during the year ended December 31, 2007 for the purpose of providing pension, retirement or similar benefits for Messrs. Nicoletti, Peri and Suri and Ms. DelBianco.

Supplementary Disclosure on Pension Arrangements

Pension benefits under the defined benefit portion of the Canadian Pension Plan and the Supplementary Plan are considered to be an integral part of the overall total compensation for certain executives, including Mr. Puppi, the only Named Executive Officer who participated in the defined benefit portion. In considering the value of the pension benefits provided to Mr. Puppi under the defined benefit portion of the Canadian Pension Plan and the Supplementary Plan, the Compensation Committee considers the annual pension service costs, the accrued liability associated with the pension and the annual pension that would have been available to Mr. Puppi upon retirement. The following table illustrates changes in the accrued liability from December 31, 2006 to December 31, 2007, including the annual pension service cost for the 2007 fiscal year for Mr. Puppi, calculated using the same actuarial assumptions used for determining year-end pension plan liabilities in Celestica's financial statements for the financial year ended December 31, 2007, in accordance with generally accepted accounting principles.

Table 14: Supplemental Disclosure on Pension Arrangements

| Name | Accrued Pension Liability at December 31, 2006 ⁽¹⁾ (C\$) | 2007 Service Cost ⁽¹⁾ (C\$) | Other Special Termination Benefits Change in Liability in 2007 ⁽²⁾ (C\$) | Other Change in Liability in 2007 ⁽³⁾ (C\$) | Accrued Pension Liability at December 31, 2007 ⁽¹⁾ (C\$) |
|---------------|--|---|--|---|--|
| Anthony Puppi | 4,477,000 | 35,500 | 1,224,000 | (361,500) | 5,375,000 |

(1) Pension service cost is the value of the projected pension earned for the year of service credited for the 2007 fiscal year. Accrued pension liability is the value of the projected pension earned for service up to December 31, 2006 or December 31, 2007, as indicated. For comparability and consistency, these values have been determined using the same actuarial assumptions as are used for determining the year-end pension plan liabilities disclosed in Celestica's financial statements, in accordance with generally accepted accounting principles. These are estimated amounts based on these assumptions and may change over time. The method used to determine these amounts will not necessarily be identical to the method used by other companies and as a result the figures may not be directly

comparable across companies. This method of valuation makes no allowance for different tax treatment of registered pension plans versus supplemental pension benefits.

- (2) The other special termination benefits change in the obligation includes the impact of special benefits granted to Mr. Puppi upon his retirement on April 1, 2007.
- (3) Other changes in obligation include amounts attributable to interest accruing on the beginning-of-year obligation, experience gains and losses other than those associated with compensation levels and changes in actuarial assumptions. The most significant changes for the 2007 fiscal year relates to the change in the applicable discount rate from 5.10% to 5.50%.

Securities Authorized for Issuance Under Equity Compensation Plans

Table 15: Equity Compensation Plans as at December 31, 2007

| Plan Category | | Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (#) | Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights | Securities Remaining Available for Future Issuance Under Equity Compensation Plans ⁽¹⁾ (#) |
|---|--|---|---|---|
| Equity Compensation Plans Approved by Securityholders | Employee Share Purchase and Option Plan (ESPO) | 84,442 | \$7.50 | 0 |
| | International Manufacturing Services Inc. (IMS) (plan acquired as part of acquisition) | 66,201 | \$8.12 | 0 |
| | Manufacturers' Services Limited (MSL) (plan acquired as part of acquisition) | 250,040 | \$15.49 | 0 |
| | LTIP (Options) | 7,794,218 | \$13.24/C\$20.56 | 20,130,963 |
| | LTIP (RSUs) | 133,284 | N/A | 1,004,807 |
| | Total: ⁽²⁾ | 8,328,185 | \$13.45/C\$20.53 | 21,135,770 |
| | Equity Compensation Plans Not Approved by Securityholders | | 4,083,989 | N/A |
| | Total: | 12,412,174 | N/A | 21,135,770 |

(1) Excluding securities that may be issued upon exercise of outstanding options, warrants and rights.

(2) The total number of securities to be issued under all equity compensation plans approved by shareholders represent 3.65% of the total number of outstanding shares (ESPO — 0.04%; IMS — 0.03%; MSL — 0.11%; LTIP (Options) 3.41%; and LTIP (RSUs) — 0.06%).

The LTIP is the only securities-based compensation plan providing for the issuance of securities from treasury under which grants have been made and continue to be made by Celestica since the company was listed on the TSX. Under the LTIP, the Board may in its discretion grant from time to time stock options, performance shares, performance share units and stock appreciation rights ("SARs") to employees and consultants, the eligible participants, of Celestica and affiliated entities.

Under the LTIP, up to 29,000,000 subordinate voting shares may be issued from treasury. The number of subordinate voting shares which may be issued from treasury under the LTIP to directors is limited to 2,000,000; however, no more option grants under the LTIP will be made to directors. Under the LTIP, as of February 25, 2008, 1,936,728 subordinate voting shares have been issued from treasury and 9,798,972 subordinate voting shares are issuable under outstanding options. Also as of February 25, 2008, 27,063,272 subordinate voting

shares are reserved for issuance from treasury under the LTIP. In addition, Celestica may satisfy obligations under the LTIP by acquiring subordinate voting shares in the market.

The LTIP limits the number of subordinate voting shares that may be (a) reserved for issuance to insiders (as defined under TSX rules for this purpose), and (b) issued within a one-year period to insiders pursuant to options or rights granted pursuant to the LTIP, together with subordinate voting shares reserved for issuance under any other employee-related plan of Celestica or options for services granted by Celestica, in each case to 10% of the aggregate issued and outstanding subordinate voting shares and MVS of Celestica. The LTIP also limits the number of subordinate voting shares which may be reserved for issuance to any one participant pursuant to options or SARs granted pursuant to the LTIP, together with subordinate voting shares reserved for issuance under any other employee-related plan of Celestica or options for services granted by Celestica, to 5% of the aggregate issued and outstanding subordinate voting shares and MVS of Celestica.

Options issued under the LTIP may be exercised during a period determined under the LTIP, which may not exceed ten years. The LTIP also provides that, unless otherwise determined by the Board, options will terminate within specified time periods following the termination of employment of an eligible participant with Celestica or affiliated entities. The exercise price for options issued under the LTIP is the closing price for subordinate voting shares on the day prior to the grant. The TSX closing price is used for Canadian employees and the NYSE closing price is used for all other employees. The exercise of options may be subject to vesting conditions, including specific time schedules for vesting and performance-based conditions such as share price and financial results. The grant to, or exercise of options by, an eligible participant may also be subject to certain share ownership requirements. The LTIP also provides that Celestica may, at its discretion, make loans or provide guarantees for loans to assist participants to purchase subordinate voting shares upon the exercise of options or to assist the participants to pay any income tax exigible upon exercise of options provided that in no event shall any such loan be outstanding for more than 10 years from the date of the option grant. Celestica has no such loans or guarantees outstanding.

Under the LTIP, eligible participants may be granted SARs, a right to receive a cash amount equal to the difference between the market price of the subordinate voting shares at the time of the grant and the market price of such shares at the time of exercise of the SAR. The market price used for this purpose is the weighted average price for subordinate voting shares on the TSX during the period five trading days preceding the exercise date. Such amounts may also be payable by the issuance of subordinate voting shares. The exercise of SARs may also be subject to conditions similar to those which may be imposed on the exercise of stock options.

Under the LTIP, eligible participants may be allocated performance units in the form of PSUs or RSUs, which represent the right to receive an equivalent number of subordinate voting shares at a specified release date. The issuance of such shares may be subject to vesting requirements similar to those described above with respect to the exercisability of options and SARs, including such time or performance-based conditions as may be determined by the Board in its discretion. The number of subordinate voting shares which may be issued from the treasury of Celestica under the performance unit program is limited to 2,000,000 and the number of subordinate voting shares which may be issued pursuant to the performance unit program to any one person shall not exceed 1% of the aggregate issued and outstanding subordinate voting shares and Multiple Voting Shares of Celestica.

In 2005, Celestica amended the LTIP to provide that the number of grants awarded under the plan in any given year cannot exceed 1.2% of the total number of shares outstanding.

The interests of any participant under the LTIP or in any option, SAR or performance unit are not transferable, subject to limited exceptions.

The issuance of RSUs and PSUs may be subject to vesting requirements, including any time-based conditions established by the Board at its discretion. The vesting of PSUs also requires the achievement of specified performance-based conditions as determined by the Compensation Committee and approved by the Board.

Employment Agreements

As of December 31, 2007, the following Named Executive Officers had termination of employment and change of control arrangements with Celestica:

Mr. Muhlhauser

Mr. Muhlhauser's employment agreement provides that he is entitled to certain severance benefits if, during a change in control period at the Company (defined in his agreement as the period commencing on the date the Company enters into a binding agreement for a change in control, announces an intention to effect a change in control or the board adopts a resolution that a change in control has occurred and ending three years after the completion of the change in control or, if a change in control is not completed, one year following the commencement of the period), he is terminated without cause or resigns for reasons specified in his agreement. The amount of the severance payment for him is equal to three times his annual base salary and the simple average of his annual incentive for the three prior completed financial years of the Company, together with a portion of his expected annual incentive for the year prorated to the date of termination. The current annual base salary and simple average of incentives awarded under the Celestica Executive Team Incentive Plan for the last three years for Mr. Muhlhauser are as follows:

Table 16: Base Salary and Target Annual Incentive

| | 2008 Base Salary | Average Incentive |
|---------------------|------------------|-------------------|
| Craig H. Muhlhauser | \$ 1,000,000 | \$ 132,571 |

In addition, his agreement provides for (a) a cash settlement to cover benefits that would otherwise be payable during the severance period, and (b) the continuation of contributions to his pension and retirement plans until the third anniversary following his termination.

Upon a change in control or upon termination without cause during a change in control period or resignation for reasons specified in his agreement during a change in control period, (a) the options granted to Mr. Muhlhauser vest immediately, (b) the PCOs and PSUs granted to him vest immediately at target level of performance, unless the terms of a PCO or PSU grant provide otherwise, or on such other more favourable terms as the Board in its discretion may provide, and (c) the RSUs granted to him shall vest immediately.

Outside a change in control period, upon termination without cause or resignation for reasons specified in his agreement, Mr. Muhlhauser is entitled to payments and benefits that are substantially similar to those provided following termination during a change in control period, except that (a) there is no accelerated vesting of options or PCOs, (b) RSUs and PSUs that are not subject to performance conditions as to vesting shall vest immediately on a pro rata basis based on the number of full years of employment completed between the date of grant and the termination of employment, and unvested RSUs and PSUs that are subject to performance conditions as to vesting, shall be cancelled, and (c) the Company's obligations regarding severance payments and the cash settlement to cover benefits are for a two-year period following termination.

Messrs. Nicoletti and Suri and Ms. DelBianco

The employment agreements for each of Messrs. Nicoletti and Suri and Ms. DelBianco provide that they are entitled to certain severance benefits if, during a change in control period at the Company (defined in their agreements as the period commencing on the date the Company enters into a binding agreement for a change in control, announces an intention to effect a change in control or the board adopts a resolution that a change in control has occurred and ending three years after the completion of the change in control or, if a change in control is not completed, one year following the commencement of the period), they are terminated without cause or resign for reasons specified in their agreements. The amount of the severance payment for each of them is equal to three times their annual base salary and target annual incentive, together with a portion of their

target annual incentive for the year prorated to the date of termination. The 2008 annual base salary and 2008 target annual incentive for each of them are as follows:

Table 17: Base Salary and Target Annual Incentive

| | 2008 Base Salary | 2008 Target Annual Incentive |
|------------------------|------------------|------------------------------|
| Paul Nicoletti | \$ 507,382 | \$ 405,906 |
| Elizabeth L. DelBianco | \$ 439,768 | \$ 351,815 |
| Rahul Suri | \$ 454,292 | \$ 272,575 |

In addition, each of their agreements provides (a) for a cash settlement to cover benefits that would otherwise be payable during the severance period, and (b) for the continuation of contributions to their pension and retirement plans until the third anniversary following their termination

Upon a change in control or upon termination without cause during a change in control period or resignation for reasons specified in each of their agreements during a change in control period, (a) the options granted to each of them vest immediately, (b) the PCOs and PSUs granted to each of them vest immediately at target level of performance, unless the terms of a PCO or PSU grant provide otherwise or on such other more favourable terms as the Board in its discretion may provide, and (c) the RSUs granted to each of them shall vest immediately.

Outside a change in control period, upon termination without cause or resignation for reasons specified in each of their agreements, they are entitled to payments and benefits that are substantially similar to those provided following termination during a change in control period, except that (a) there is no accelerated vesting of options, PCOs, PSUs and RSUs, and (b) the Company's obligations regarding severance payments, the continuation of benefit plans and contributions to or continuation of their pension and retirement plans are for a two-year period following termination.

Mr. Peri

The terms of employment with the Company for Mr. Peri are governed by the Company's Executive Policy Guidelines (the "Executive Guidelines"). Upon termination without cause or resignation for reasons specified in the Executive Guidelines within two years following a change in control of the Company, Mr. Peri is entitled to a severance payment equal to two times his annual base salary and the lower of target or actual annual incentive for the previous year, subject to adjustment for factors including length of service, together with a portion of his annual incentive for the year prorated to the date of termination. The 2008 annual base salary and 2008 target annual incentive for Mr. Peri are as follows:

Table 18: Base Salaries and Target Annual Incentives

| | 2008 Base Salary | 2008 Target Annual Incentive |
|-----------|------------------|------------------------------|
| John Peri | \$ 500,130 | \$ 400,104 |

Under the Executive Guidelines, the pension and group benefits of Mr. Peri discontinue on the date of termination. In addition, upon a change in control or upon termination without cause or resignation for reasons specified in the Executive Guidelines within two years following a change in control (a) all options granted to Mr. Peri vest immediately, (b) the RSUs granted to him vest immediately, and (c) the PSUs granted to him vest immediately at target level of performance.

Outside of the two-year period following a change in control, upon termination without cause, Mr. Peri is entitled to payments and benefits that are substantially similar to those provided following a termination within two years of a change in control, except that there is no accelerated vesting of options, RSUs and PSUs.

Mr. Puppi's employment agreement, except for certain non-competition, confidentiality and non-solicitation provisions, was not in effect as of December 31, 2007 because his employment terminated during the year. The total of cash payments paid to Mr. Puppi upon his retirement on April 1, 2007 was \$1,508,099.

Indemnification Agreements

Celestica and certain of its subsidiaries have entered into indemnification agreements with certain of the directors and officers of Celestica and its subsidiaries. These agreements generally provide that Celestica or the subsidiary of Celestica which is a party to the agreement, as applicable, will indemnify the director or officer in question (including his or her heirs and legal representatives) against all costs, charges and expenses incurred by him or her in respect of any civil, criminal, administrative, investigative or other proceeding in which the individual is involved by reason of being or having been a director or officer of the Corporation or a subsidiary thereof, provided that he or she has acted honestly and in good faith with a view to the best interests of the Corporation or a subsidiary thereof.

C. Board Practices

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

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

Board Committees

The Board of Directors has established four standing committees, each with a specific mandate: the Executive Committee, Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. All of these committees are composed of independent directors.

Executive Committee

The members of the Executive Committee are Mr. Crandall and Mr. Etherington, both of whom are independent directors. The purpose of the Executive Committee is to provide a degree of flexibility and ability to respond to time-sensitive matters where it is impractical to call a meeting of the full Board of Directors. The Committee reviews such matters and makes such recommendations thereon to the Board of Directors as it considers appropriate, including matters designated by the Board of Directors as requiring Committee review. Members of the Committee also meet approximately once a month on an informal basis to review and stay informed about current business issues. The Board of Directors is briefed on these issues at their regularly scheduled meetings or, if the matter is material, between regularly scheduled meetings. No decision of the Committee shall be effective until it is approved or ratified by the Board of Directors.

Audit Committee

The Audit Committee consists of Mr. Crandall, Mr. Etherington and Mr. Tapscott, all of whom are independent directors and all of whom are financially literate. Mr. Crandall and Mr. Etherington have each served as a chief financial officer of a large U.S. and/or Canadian organization. Mr. Tapscott is the chief executive officer of a strategic consulting firm and has held other executive officer positions with Canadian companies. The Audit Committee has a well-defined mandate which, among other things, sets out its relationship with, and expectations of, the external auditors, including the establishment of the independence of the external auditors and approval of any non-audit mandates of the external auditor; the engagement, evaluation, remuneration and termination of the external auditor; its relationship with, and expectations of, the internal auditor function and its oversight of internal control; and the disclosure of financial and related information. The Audit Committee has direct communication channels with the internal and external auditors to discuss and review specific issues and has the authority to retain such independent advisors as it may consider

appropriate. The Audit Committee annually reviews and approves the mandate and plan of the internal audit department. The Audit Committee's duties include the responsibility for reviewing financial statements with management and the auditors, monitoring the integrity of Celestica's management information systems and internal control procedures, and reviewing the adequacy of Celestica's processes for identifying and managing risk.

Compensation Committee

The Compensation Committee consists of Mr. Crandall, Mr. Etherington, Mr. Szuluk and Mr. Tapscott, all of whom are independent directors. It is the responsibility of the Compensation Committee to define and communicate compensation policies and principles that reflect and support our strategic direction, business goals and desired culture. The mandate of the Compensation Committee includes the following: review and recommend to the Board of Directors Celestica's overall reward/compensation policy, including an executive compensation policy that is consistent with competitive practice and supports organizational objectives and shareholder interests; review annually, and submit to the Board of Directors for approval, the elements of our incentive compensation plans and equity-based plans, including plan design, performance targets, administration and total funds/shares reserved for payment; review and recommend to the Board of Directors the compensation of the CEO based on the Board of Directors' assessment of the annual performance of the CEO; review and recommend to the Board of Directors the compensation of our most senior executives; review our succession plans for key executive positions; and review and approve material changes to our organizational structure and human resource policies.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee consists of Mr. Crandall, Mr. Etherington, Mr. Love and Mr. Tapscott, all of whom are independent directors. The Nominating and Corporate Governance Committee recommends to the Board the criteria for selecting candidates for nomination to the Board and the individuals to be nominated for election by the shareholders. The Committee's mandate includes making recommendations to the Board relating to the Company's approach to corporate governance, developing the Company's corporate governance guidelines, assessing the performance of the CEO relative to corporate goals and objectives established by the Committee, and assessing the effectiveness of the Board of Directors and its committees.

D. Employees

Celestica has over 42,000 permanent and temporary (contract) employees worldwide as at December 31, 2007. The following table sets forth information concerning our employees by geographic location:

| Date | Number of Employees | | |
|-------------------|---------------------|--------|--------|
| | Americas | Europe | Asia |
| December 31, 2005 | 15,000 | 6,000 | 26,000 |
| December 31, 2006 | 12,000 | 5,000 | 25,000 |
| December 31, 2007 | 10,000 | 6,000 | 26,000 |

As at December 31, 2007, approximately 11,000 temporary (contract) employees were engaged by Celestica worldwide. During 2007, approximately 3,200 employees were terminated as a result of restructuring actions. See note 11 to the Consolidated Financial Statements in Item 18 for further information on the restructurings.

The number of employees in the Americas at December 31, 2007 has decreased from the prior year due to the downsizing or closure of some of our higher-cost American facilities and from a reduction in our workforce in Mexico, primarily in response to lower revenue levels. The number of employees in Europe and Asia at December 31, 2007 has increased primarily to support new business in these regions.

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

E. Share Ownership

The following table sets forth certain information concerning the direct and beneficial ownership of shares of Celestica at February 25, 2008 by each director who holds shares and each of the Named Executive Officers and all directors and senior management of Celestica as a group. Unless otherwise noted, the address of each of the shareholders named below is Celestica's principal executive office. In this table, multiple voting shares are referred to as "MVS" and subordinate voting shares are referred to as "SVS."

| Name of Beneficial Owner ⁽¹⁾⁽²⁾ | Voting Shares | Percentage of Class | Percentage of all Equity Shares | Percentage of Voting Power |
|--|----------------|---------------------|---------------------------------|----------------------------|
| Robert L. Crandall ⁽³⁾ | 147,500 SVS | * | * | * |
| William A. Etherington ⁽⁴⁾ | 43,750 SVS | * | * | * |
| Richard S. Love ⁽⁵⁾ | 64,375 SVS | * | * | * |
| Anthony Melman ⁽⁷⁾⁽⁸⁾⁽⁹⁾ | 491,573 SVS | * | * | * |
| Gerald W. Schwartz ⁽⁶⁾⁽¹⁰⁾ | 29,637,316 MVS | 100.0% | 12.9% | 78.8% |
| | 2,236,713 SVS | 1.1% | 1.0% | * |
| Charles W. Szuluk ⁽¹¹⁾ | 25,165 SVS | * | * | * |
| Don Tapscott ⁽¹²⁾ | 117,450 SVS | * | * | * |
| Craig H. Muhlhauser | 232,700 SVS | * | * | * |
| Paul Nicoletti | 102,142 SVS | * | * | * |
| John Peri | 149,794 SVS | * | * | * |
| Elizabeth L. Delbianco | 103,451 SVS | * | * | * |
| Rahul Suri | 85,032 SVS | * | * | * |
| Anthony P. Puppi | 78,070 SVS | * | * | * |
| All directors and senior management as a group (21 persons, including above) ⁽¹³⁾ | 29,637,316 MVS | 100.0% | 12.9% | 78.8% |
| | 4,125,552 SVS | 2.1% | 1.8% | * |

Total percentage of all equity shares and total percentage of voting power

14.8% 79.2%

* Less than 1%.

- (1) As used in this table, "beneficial ownership" means sole or shared power to vote or direct the voting of the security, or the sole or shared investment power with respect to a security (i.e., the power to dispose, or direct a disposition, of a security). A person is deemed at any date to have "beneficial ownership" of any security that such person has a right to acquire within 60 days of such date. Certain shares subject to options granted pursuant to management investment plans of Onex are included as owned beneficially by named individuals, although the exercise of these options is subject to Onex meeting certain financial targets. More than one person may be deemed to have beneficial ownership of the same securities.
- (2) Information as to shares beneficially owned or shares over which control or direction is exercised is not within Celestica's knowledge and therefore has been provided by each nominee and officer.
- (3) Includes 127,500 subordinate voting shares subject to exercisable options.
- (4) Includes 33,750 subordinate voting shares subject to exercisable options.
- (5) Includes 59,375 subordinate voting shares subject to exercisable options.
- (6) The address of such shareholders is: c/o Onex Corporation, 161 Bay Street, P.O. Box 700, Toronto, Ontario, Canada M5J 2S1.
- (7) Certain shares subject to options granted pursuant to management investment plans of Onex are included as owned beneficially by named individuals although the exercise of these options is subject to Onex meeting certain financial targets. More than one person may be deemed to have beneficial ownership of the same securities.
- (8) Includes 274,588 subordinate voting shares owned by Onex which are subject to options granted to Dr. Melman pursuant to certain management investment plans of Onex.
- (9) Dr. Melman is not standing for re-election as a director.
- (10) Includes 188,744 subordinate voting shares owned by a company controlled by Mr. Schwartz and all of the shares of Celestica beneficially owned by Onex, or in respect of which Onex exercises control or direction, of which 1,077,500 subordinate voting shares are subject to options granted to Mr. Schwartz pursuant to certain management incentive plans of Onex and 1,434,141 subordinate voting shares held in trust for Celestica Employee Nominee Corporation as agent for and on behalf of certain executives and employees of Celestica pursuant certain of Celestica's employee share purchase and option plans. Mr. Schwartz, a director of Celestica, is the

Chairman of the Board, President and Chief Executive Officer of Onex, and owns multiple voting shares of Onex carrying the right to elect a majority of the Onex board of directors. Accordingly, Mr. Schwartz may be deemed to be the beneficial owner of shares of Celestica owned by Onex; Mr. Schwartz, however, disclaims such beneficial ownership of the Celestica shares held by Onex and Celestica Employee Nominee Corporation.

- (11) Represents 23,750 subordinate voting shares subject to exercisable options.
- (12) Represents 111,750 subordinate voting shares subject to exercisable options.
- (13) Includes 1,335,161 subordinate voting shares subject to exercisable options.

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

At February 25, 2008, approximately 1,700 persons held options to acquire an aggregate of approximately 10,200,000 subordinate voting shares. Most of these options were issued pursuant to the ESPO Plan and Long-Term Incentive Plan. See Item 6(B), "Compensation." The following table sets forth information with respect to options outstanding as at February 25, 2008.

Outstanding Options

| Beneficial Holders | Number of subordinate voting shares Under Option | Exercise Price | Year of Issuance | Date of Expiry |
|--|--|-------------------|------------------|----------------------------------|
| Executive Officers (13 persons in total) | 20,304 | \$7.50 | March 23, 1998 | March 23, 2008 |
| | 46,056 | \$10.67-CS\$20.63 | During 1999 | January 1, 2009-January 20, 2009 |
| | 3,750 | \$21.83 | During 2000 | October 13, 2010 |
| | 9,750 | \$10.40-\$19.81 | During 2001 | May 22, 2011-October 31, 2011 |
| | 38,375 | \$13.52-CS\$23.29 | During 2002 | May 10, 2012-December 18, 2012 |
| | 142,000 | \$18.66/CS\$29.11 | December 3, 2002 | December 3, 2012 |
| | 13,625 | \$12.99-CS\$15.35 | During 2003 | February 11, 2013-April 18, 2013 |
| | 138,834 | \$17.15/CS\$22.75 | January 31, 2004 | January 31, 2014 |
| | 58,333 | \$16.43-CS\$24.92 | During 2004 | March 15, 2014-June 8, 2014 |
| | 134,200 | \$14.86/CS\$18.00 | December 9, 2004 | December 9, 2014 |
| | 65,000 | \$13.00-CS\$16.20 | During 2005 | June 6, 2015-July 5, 2015 |
| | 344,172 | \$10.00/CS\$11.43 | January 31, 2006 | January 31, 2016 |
| | 1,371,168 | \$6.05/CS\$7.10 | February 2, 2007 | February 2, 2017 |
| | 161,500 | \$5.88/CS\$6.27 | July 31, 2007 | July 31, 2017 |
| | 1,270,000 | \$6.51/CS\$6.51 | February 5, 2008 | February 5, 2018 |
| Directors who are not Senior Management | 118,000 | \$8.75 | July 7, 1998 | July 7, 2008 |
| | 50,000 | \$23.41/CS\$34.50 | July 7, 1999 | July 7, 2009 |
| | 50,000 | \$48.69/CS\$72.60 | July 6, 2000 | July 6, 2010 |
| | 50,000 | \$44.23/CS\$66.78 | July 7, 2001 | July 7, 2011 |
| | 20,000 | \$35.95 | October 22, 2001 | October 22, 2011 |
| | 5,000 | \$32.40 | April 21, 2002 | April 21, 2012 |
| | 42,500 | \$10.62 | April 18, 2003 | April 18, 2013 |
| | 27,500 | \$18.25 | May 10, 2004 | May 10, 2014 |

| | | | | |
|---|-----------|-------------------|-------------------------------|------------------------------------|
| All other Celestica Employees (other than IMS and MSL) (approximately 1,600 persons in total) | 64,138 | \$7.50 | March 23, 1998 | March 23, 2008 |
| | 261,890 | \$8.75 | July 3, 1998- July 7, 1998 | July 3, 2008-July 7, 2008 |
| | 260,725 | \$13.69-\$23.88 | During 1999 | January 1, 2009-September 21, 2009 |
| | 82,200 | \$39.03/CS\$7.85 | December 7, 1999 | December 7, 2009 |
| | 10,300 | \$48.69-\$63.44 | During 2000 | July 6, 2010-August 1, 2010 |
| | 55,660 | \$56.19/CS\$86.50 | December 5, 2000 | December 5, 2010 |
| | 13,400 | \$24.91-\$44.23 | During 2001 | April 9, 2011-July 7, 2011 |
| | 106,810 | \$41.89/CS\$66.06 | December 4, 2001 | December 4, 2011 |
| | 62,600 | \$13.10-CS\$39.57 | During 2002 | May 8, 2012-December 10, 2012 |
| | 893,615 | \$18.66/CS\$29.11 | December 3, 2002 | December 3, 2012 |
| | 80,500 | \$10.62-\$19.90 | During 2003 | January 31, 2013-December 10, 2013 |
| | 1,018,795 | \$17.15/CS\$22.75 | January 31, 2004 | January 31, 2014 |
| | 134,775 | \$13.28-CS\$22.89 | During 2004 | January 19, 2014-November 5, 2014 |
| | 268,544 | \$14.86/CS\$18.00 | December 9, 2004 | December 9, 2014 |
| | 113,920 | \$9.71-CS\$16.90 | During 2005 | January 5, 2015-December 5, 2015 |
| | 406,473 | \$10.00/CS\$11.43 | January 31, 2006 | January 31, 2016 |
| | 64,468 | \$9.23-CS\$12.54 | During 2006 | February 6, 2016-December 5, 2016 |
| | 782,212 | \$6.05/CS\$7.10 | February 2, 2007 | February 2, 2017 |
| | 257,753 | \$5.47-CS\$7.76 | During 2007 | February 26, 2017-December 7, 2017 |
| | 814,500 | \$6.51/CS\$6.51 | February 5, 2008 | February 5, 2018 |
| IMS Employees ⁽¹⁾ | 66,201 | \$3.75-\$13.31 | During 1998 | March 16, 2008-December 18, 2008 |
| MSL Employees ⁽²⁾ | 16,114 | \$10.67-\$12.80 | During 1998 and 1999 | April 6, 2008-November 1, 2009 |
| | 92,380 | \$8.37-\$58.00 | During 2000 and 2001 | February 1, 2010-October 31, 2011 |
| | 91,840 | \$10.91-\$15.20 | During 2002 and 2003 | February 4, 2012-September 8, 2013 |

(1) Represents options outstanding under certain stock option plans that were assumed by Celestica on December 30, 1998. The original exercise price for these options was based on the NASDAQ market price of IMS common stock at the date of issuance.

(2) Represents options outstanding under certain stock option plans that were assumed by Celestica on March 12, 2004.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

The following table sets forth certain information concerning the direct and beneficial ownership of the shares of Celestica at February 25, 2008 by each person known to Celestica to own beneficially, directly or indirectly, 5% or more of the subordinate voting shares or the multiple voting shares. In this table, multiple voting shares are referred to as "MVS" and subordinate voting shares are referred to as "SVS." MVS and SVS have different voting rights. See Item 10, "Additional Information — Memorandum and Articles of Incorporation."

| Name of Beneficial Owner ⁽¹⁾ | Type of Ownership | Number of Shares | Percentage of Class | Percentage of all Equity Shares | Percentage of Voting Power |
|--|---------------------|------------------|---------------------|---------------------------------|----------------------------|
| Onex Corporation ⁽²⁾⁽³⁾ | Direct and Indirect | 29,637,316 MVS | 100.0% | 12.9% | 78.8% |
| | | 2,047,969 SVS | 1.0% | * | * |
| Gerald W. Schwartz ⁽²⁾⁽⁴⁾ | Direct and Indirect | 29,637,316 MVS | 100.0% | 12.9% | 78.8% |
| | | 2,236,713 SVS | 1.1% | 1.0% | * |
| MacKenzie Financial Corporation ⁽⁵⁾⁽⁶⁾ | Indirect | 31,393,005 SVS | 15.8% | 13.7% | 3.3% |
| Letko, Brosseau & Ass. Inc. ⁽⁷⁾⁽⁸⁾ | Indirect | 14,581,390 SVS | 7.3% | 6.4% | 1.6% |
| Phillips, Hager & North Investment Management Ltd. ⁽⁹⁾⁽¹⁰⁾ | Indirect | 16,657,587 SVS | 8.4% | 7.3% | 1.8% |
| Tetrem Capital Management Ltd. ⁽¹¹⁾⁽¹²⁾ | Indirect | 10,506,170 SVS | 5.3% | 4.6% | 1.1% |
| Brandes Investment Partners, LP ⁽¹³⁾⁽¹⁴⁾ | Indirect | 15,315,352 SVS | 7.7% | 6.7% | 1.6% |
| Total percentage of all equity shares and total percentage of voting power | | | | 52.6% | 88.5% |

* Less than 1%.

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

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

(3) Includes 11,635,958 multiple voting shares held by wholly-owned subsidiaries of Onex, 1,434,141 subordinate voting shares held in trust for Celestica Employee Nominee Corporation as agent for and on behalf of certain executives and employees of Celestica pursuant to certain of Celestica's employee share purchase and option plans, and 160,492 subordinate voting shares directly or indirectly held by certain officers of Onex, which Onex or such other person has the right to vote. The share provisions provide "coat-tail" protection to the holders of the subordinate voting shares by providing that the multiple voting shares will be converted automatically into subordinate voting shares upon any transfer thereof, except (i) a transfer to Onex or any affiliate of Onex or (ii) a transfer of 100% of the outstanding multiple voting shares to a purchaser who also has offered to purchase all of the outstanding subordinate voting shares for a per share consideration identical to, and otherwise on the same terms as, that offered for the multiple voting shares and the multiple voting shares held by such purchaser thereafter shall be subject to the provisions relating to conversion as if all references to Onex were references to such purchaser. In addition, if (i) any holder of any multiple voting shares ceases to be an affiliate of Onex or (ii) Onex and its affiliates cease to have the right, in all cases, to exercise the votes attached to, or to direct the voting of, any of the multiple voting shares held by Onex and its affiliates, such multiple voting shares shall convert automatically into subordinate voting shares on a one-for-one basis. For these purposes, (i) "Onex" includes any successor corporation resulting from an amalgamation, merger, arrangement, sale of all or substantially all of its assets, or other business combination or reorganization involving Onex, provided that such successor corporation beneficially owns directly or indirectly all multiple voting

shares beneficially owned directly or indirectly by Onex immediately prior to such transaction and is controlled by the same person or persons as controlled Onex prior to the consummation of such transaction; (ii) a corporation shall be deemed to be a subsidiary of another corporation if, but only if, (a) it is controlled by that other, or that other and one or more corporations each of which is controlled by that other, or two or more corporations each of which is controlled by that other, or (b) it is a subsidiary of a corporation that is that other's subsidiary; (iii) "affiliate" means a subsidiary of Onex or a corporation controlled by the same person or company that controls Onex; and (iv) "control" means beneficial ownership of, or control or direction over, securities carrying more than 50% of the votes that may be cast to elect directors if those votes, if cast, could elect more than 50% of the directors. For these purposes, a person is deemed to beneficially own any security which is beneficially owned by a corporation by such person. Onex, which owns all of the outstanding multiple voting shares, has entered into an agreement with ComputerShare Trust Company of Canada, as trustee for the benefit of the holders of the subordinate voting shares, that has the effect of preventing transactions that otherwise would deprive the holders of subordinate voting shares of rights under applicable provincial takeover bid legislation to which they would have been entitled in the event of a takeover bid for the multiple voting shares if the multiple voting shares had been subordinate voting shares.

- (4) Includes 188,744 subordinate voting shares owned by a company controlled by Mr. Schwartz and all of the shares of Celestica beneficially owned by Onex, or in respect of which Onex exercises control or direction, of which 1,077,500 subordinate voting shares are subject to options granted to Mr. Schwartz pursuant to certain management incentive plans of Onex. Mr. Schwartz is a director of Celestica and the Chairman of the Board, President and Chief Executive Officer of Onex, and owns multiple voting shares of Onex carrying the right to elect a majority of the Onex board of directors. Accordingly, Mr. Schwartz may be deemed to be the beneficial owner of the Celestica shares owned by Onex; Mr. Schwartz, however, disclaims such beneficial ownership of the Celestica shares held by Onex and Celestica Employee Nominee Corporation.
- (5) The address of this shareholder is: 150 Bloor Street West, Suite M111, Toronto, Ontario, Canada M5S 3B5.
- (6) This information reflects share ownership as of December 31, 2007 and is taken from Schedule 13G filed by MacKenzie Financial Corporation with the SEC on February 14, 2008.
- (7) The address of this shareholder is: 1800 McGill College Avenue, Suite 2510, Montreal, Quebec, Canada H3A 3J6.
- (8) This information reflects share ownership as of December 31, 2007 and is taken from Schedule 13G filed by Letko, Brosseau & Ass. Inc. with the SEC on February 12, 2008.
- (9) The address of this shareholder is: 200 Burrard Street, 20th Floor, Vancouver, British Columbia, Canada V6C 3N5.
- (10) This information reflects share ownership for the period ended January 31, 2008 and is taken from the Alternative Monthly Report under Part 4 of National Instrument 62-103 filed by Phillips, Hager & North Investment Management Ltd. with the Canadian securities regulators on February 6, 2008.
- (11) The address of this shareholder is: 1450-201 Portage Avenue, Winnipeg, Manitoba, Canada R3B 3K6.
- (12) This information reflects share ownership as of December 31, 2007 and is taken from the Schedule 13G filed by Tetrem Capital Management Ltd. with the SEC on February 13, 2008.
- (13) The address of this shareholder is: 11988 EL Camino Real, Suite 500, San Diego, California 92130.
- (14) This information reflects share ownership as of December 31, 2007 and is taken from Schedule 13G filed by Brandes Investment Partners, LP with the SEC on February 14, 2008.

Onex's ownership percentages have not changed significantly during the past three years. FMR Corp. was a major shareholder in 2005 and 2006 but ceased being a holder of any SVS in 2007. Phillips, Hager & North Investment Management Ltd. has varied its ownership percentage during the past three years (2007 — 8.4%; 2006 — 10.8% and 2005 — 7.0%). Each of MacKenzie Financial Corporation, Tetrem Capital Management Ltd., Letko, Brosseau & Ass. Inc. and Brandes Investment Partners, LP became a holder of 5% or more of the SVS during 2007.

Holders

On February 25, 2008, there were approximately 1,900 holders of record of subordinate voting shares, of which 461 holders, holding approximately 52% of the outstanding subordinate voting shares, were resident in the United States and 423 holders, holding approximately 48% of the outstanding subordinate voting shares, were resident in Canada.

B. Related Party Transactions

Onex, which, directly or indirectly, owns all of the outstanding multiple voting shares, has entered into an agreement with Celestica and with ComputerShare Trust Company of Canada, as trustee for the benefit of the holders of the subordinate voting shares, to ensure that the holders of the subordinate voting shares will not be

deprived of any rights under applicable Ontario provincial take-over bid legislation to which they would be entitled in the event of a take-over bid as if the multiple voting shares and subordinate voting shares were of a single class of shares.

Certain information concerning other related party transactions is set forth in Items, "Operating and Financial Review and Prospects — Management's Discussion and Analysis of Financial Condition and Result of Operations — Liquidity and Capital Resources — Related Party Transactions."

Indebtedness of Directors and Senior Officers

As at February 25, 2008, no executive officer or member of the Board of Directors of Celestica was indebted to Celestica in connection with the purchase of subordinate voting shares or in connection with any other transaction. The aggregate indebtedness of all employees to Celestica as of February 25, 2008 was less than \$50,000, none of which related to the purchase of shares of Celestica.

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

See Item 18, "Financial Statements."

Litigation

We are party to litigation from time to time. We currently are not party to any legal proceedings which management expects will have a material adverse effect on the results of operations, business, prospects or financial condition of Celestica. However, we are a party to certain securities class action lawsuits commenced against Celestica that contain claims against the Company and other persons in connection with our inventory and financial effects of our restructuring including the execution issues in our facility in Mexico as set forth in Item 3D, "Risk Factors," and in Item 5, "Operating and Financial Review and Prospects — Management's Discussion and Analysis of Financial Condition and Results of Operations." 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.

Dividend Policy

We have not declared or paid any dividends to our shareholders. We will retain earnings for general corporate purposes to promote future growth; as such, our Board of Directors does not anticipate paying any dividends for the foreseeable future. Our Board of Directors will review this policy from time to time, having regard to our financial condition, financing requirements and other relevant factors.

B. Significant Changes

None.

Item 9. The Offer and Listing

A. Offer and Listing Details

Market Information

The subordinate voting shares are listed on the New York Stock Exchange (the "NYSE") and the Toronto Stock Exchange (the "TSX"). In the following tables, subordinate voting shares are referred to as "SVS."

The annual high and low market prices for the five most recent fiscal years

| | NYSE | | |
|------------------------------|-----------------|---------|-------------|
| | High | Low | Volume |
| | (Price per SVS) | | |
| Year ended December 31, 2003 | \$ 20.29 | \$ 9.55 | 392,558,600 |
| Year ended December 31, 2004 | 21.15 | 12.25 | 334,246,600 |
| Year ended December 31, 2005 | 14.65 | 9.26 | 221,567,700 |
| Year ended December 31, 2006 | 12.02 | 7.68 | 189,612,500 |
| Year ended December 31, 2007 | 8.01 | 5.32 | 327,398,900 |

| | TSX | | |
|------------------------------|-----------------|-----------|-------------|
| | High | Low | Volume |
| | (Price per SVS) | | |
| Year ended December 31, 2003 | C\$ 27.98 | C\$ 13.50 | 339,281,662 |
| Year ended December 31, 2004 | 27.84 | 15.47 | 266,103,490 |
| Year ended December 31, 2005 | 14.66 | 9.29 | 183,773,547 |
| Year ended December 31, 2006 | 13.93 | 8.90 | 183,891,193 |
| Year ended December 31, 2007 | 9.48 | 5.68 | 300,052,192 |

The high and low market prices for each full fiscal quarter for the two most recent fiscal years

| | NYSE | | |
|------------------------------|-----------------|---------|------------|
| | High | Low | Volume |
| | (Price per SVS) | | |
| Year ended December 31, 2006 | | | |
| First quarter | \$ 12.02 | \$ 9.90 | 42,452,900 |
| Second quarter | 11.90 | 8.48 | 48,270,700 |
| Third quarter | 10.88 | 7.87 | 44,940,500 |
| Fourth quarter | 11.97 | 7.68 | 53,948,400 |

| | | | |
|------------------------------|---------|---------|-------------|
| Year ended December 31, 2007 | | | |
| First quarter | \$ 8.01 | \$ 5.93 | 102,440,993 |
| Second quarter | 7.09 | 6.25 | 72,485,248 |
| Third quarter | 6.43 | 5.32 | 79,135,203 |
| Fourth quarter | 7.22 | 5.56 | 73,337,456 |

| | TSX | | |
|------------------------------|-----------------|-----------|------------|
| | High | Low | Volume |
| | (Price per SVS) | | |
| Year ended December 31, 2006 | | | |
| First quarter | C\$ 13.93 | C\$ 11.18 | 29,024,108 |
| Second quarter | 13.68 | 9.46 | 31,864,270 |
| Third quarter | 12.14 | 8.90 | 36,604,108 |
| Fourth quarter | 13.71 | 8.92 | 86,398,707 |

| | | | |
|------------------------------|----------|----------|-------------|
| Year ended December 31, 2007 | | | |
| First quarter | C\$ 9.48 | C\$ 6.90 | 100,748,656 |
| Second quarter | 7.87 | 6.72 | 58,908,400 |
| Third quarter | 6.85 | 5.72 | 57,432,064 |
| Fourth quarter | 6.95 | 5.68 | 82,963,072 |

| | NYSE | | | | |
|----------------|-----------------|------|-----|------|------------|
| | High | | Low | | Volume |
| | (Price per SVS) | | | | |
| September 2007 | \$ | 6.14 | \$ | 5.81 | 17,412,700 |
| October 2007 | | 7.12 | | 6.16 | 26,894,950 |
| November 2007 | | 7.22 | | 5.87 | 27,838,960 |
| December 2007 | | 5.96 | | 5.56 | 18,603,546 |
| January 2008 | | 5.79 | | 4.92 | 26,587,061 |
| February 2008 | | 6.86 | | 6.18 | 41,760,970 |
| | TSX | | | | |
| | High | | Low | | Volume |
| | (Price per SVS) | | | | |
| September 2007 | C\$ | 6.46 | C\$ | 5.99 | 10,299,567 |
| October 2007 | | 6.95 | | 6.15 | 26,384,721 |
| November 2007 | | 6.68 | | 5.71 | 30,025,663 |
| December 2007 | | 5.89 | | 5.68 | 26,552,688 |
| January 2008 | | 5.85 | | 4.91 | 15,035,394 |
| February 2008 | | 6.82 | | 6.19 | 21,301,431 |

B. Plan of Distribution

Not applicable.

C. Markets

The subordinate voting shares are listed on the NYSE and the TSX.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expense of the Issue

Not applicable.

Item 10. Additional Information

Corporate Governance

We are subject to a variety of corporate governance guidelines and requirements enacted by the TSX, the Canadian Securities Administrators, the NYSE and by the U.S. Securities and Exchange Commission under its rules and those mandated by the United States Sarbanes Oxley Act of 2002. Today, we meet and often exceed not only corporate governance legal requirements in Canada and the United States, but also the best practices recommended by securities regulators. We are listed on the NYSE and, although we are not required to comply with all of the NYSE corporate governance requirements to which we would be subject if we were a U.S. corporation, our governance practices differ significantly in only one respect from those required of U.S. domestic issuers. Celestica complies with the TSX rules. The TSX rules require shareholder approval of share compensation arrangements involving new issuances of shares, and of certain amendments to such arrangements, but do not require such approval if the compensation arrangements involve only shares purchased

by the company in the open market. NYSE rules require approval of all equity compensation plans regardless of whether new issuances or treasury shares are used.

We submitted a certificate of Craig H. Muhlhauser, our CEO, to the NYSE in 2007 certifying that he was not aware of any violation by Celestica of its corporate governance listing standards.

Corporate Social Responsibility

We have a heritage of strong corporate citizenship. We uphold a set of corporate values that places importance on corporate social responsibility, including environmental protection, the respectful and fair treatment of employees, health and safety, ethics and corporate giving. We also uphold a business conduct governance policy which details the ethics and practices we consider necessary for a positive working environment, and the high legal and ethical standards to which our employees are held accountable. We also have a formal corporate giving program — Celestica Giving.

In 2004, along with OEMs including IBM, HP and Dell and several EMS peers, we co-developed the Electronics Industry Citizenship Coalition (EICC) which sets standards to ensure that: working conditions in the electronics industry supply chain are safe; workers are treated with respect and dignity; and manufacturing processes are environmentally responsible. We are currently working to implement the EICC globally, both internally and with our first tier suppliers.

A. Share Capital

Not applicable.

B. Memorandum and Articles of Incorporation

Information regarding Celestica's memorandum and articles of incorporation is hereby incorporated by reference to this Annual Report on Form 20-F for the fiscal year ended December 31, 2005, as filed with the SEC on March 21, 2006.

Shareholder Rights and Limitations

The rights and preferences attaching to our subordinate voting shares and multiple voting shares are described in the section entitled "Description of Capital Stock" of our registration statement on Form F-3 (Reg. No. 333-69278), filed with the SEC on September 12, 2001. The rights and preferences attaching to our 7⁷/₈% Senior Subordinated Notes due 2011 are described in the section entitled "Description of Notes" of our Rule 424(b) prospectus, filed with the SEC on June 14, 2004. The rights and preferences attaching to our 7⁵/₈% Senior Subordinated Notes due 2011 are described in the section entitled "Description of Notes" of our Rule 424(b) prospectus, filed with the SEC on June 20, 2005. Those sections are hereby incorporated by reference into this Annual Report.

Additional information concerning the rights and limitations of shareholders found in Celestica's articles of incorporation is hereby incorporated by reference to our registration statement on Form F-4 (Reg. No. 333-9636).

C. Material Contracts

Information about material contracts, other than contracts entered into in the ordinary course of business, to which Celestica or any member of Celestica's group is a party, for the two years immediately preceding the publication of this Annual Report are described in Item 5, "Operating and Financial Review and Prospects — Liquidity and Capital Resources — Capital Resources."

D. Exchange Controls

Canada has no system of exchange controls. There are no Canadian restrictions on the repatriation of capital or earnings of a Canadian public company to non-resident investors. There are no laws of Canada or

exchange restrictions affecting the remittance of dividends, interest, royalties or similar payments to non-resident holders of Celestica's securities, except as described under Item 10(E), "Taxation," below.

E. Taxation

Material Canadian Federal Income Tax Considerations

The following is a summary of the material Canadian federal income tax considerations generally applicable to a person (a "U.S. Holder") who acquires subordinate voting shares and who, for purposes of the Income Tax Act (Canada) (the "Canadian Tax Act") and the Canada United States Income Tax Convention (1980) (the "Tax Treaty"), at all relevant times is resident in the United States and is neither resident nor deemed to be resident in Canada, is eligible for benefits under the Tax Treaty, deals at arm's length and is not affiliated with Celestica, holds such subordinate voting shares as capital property, and does not use or hold, and is not deemed to use or hold, the subordinate voting shares in carrying on business in Canada. Special rules, which are not discussed in this summary, may apply to a U.S. Holder that is a financial institution (as defined in the Canadian Tax Act), or is an insurer to whom the subordinate voting shares are designated insurance property (as defined in the Canadian Tax Act).

This summary is based on the current provisions of the Tax Treaty, the Canadian Tax Act and the regulations thereunder, all specific proposals to amend the Canadian Tax Act or the regulations publicly announced by the Minister of Finance (Canada) prior to February 26, 2008, and Celestica's understanding of the current published administrative practices of the Canada Revenue Agency.

This summary is not exhaustive of all possible Canadian federal income tax considerations and, except as mentioned above, does not take into account or anticipate any changes in law, whether by legislative, administrative or judicial decision or action, nor does it take into account the tax legislation or considerations of any province or territory of Canada or any jurisdiction other than Canada, which may differ significantly from the considerations described in this summary.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular holder, and no representation with respect to the Canadian federal income tax consequences to any particular holder is made. Consequently, U.S. Holders of subordinate voting shares should consult their own tax advisors with respect to the income tax consequences to them having regard to their particular circumstances.

All amounts relevant in computing a U.S. Holder's liability under the Canadian Tax Act are to be computed in Canadian dollars.

Taxation of Dividends

By virtue of the Canadian Tax Act and the Tax Treaty, dividends (including stock dividends) on subordinate voting shares paid or credited or deemed to be paid or credited to a U.S. Holder who is the beneficial owner (or is deemed to be the beneficial owner) of such dividends will generally be subject to Canadian non-resident withholding tax at the rate of 15% of the gross amount of such dividends. Under the Tax Treaty, the rate of withholding tax on dividends is reduced to 5% if that U.S. Holder is a company that beneficially owns (or is deemed to beneficially own) at least 10% of the voting stock of Celestica. Moreover, under the Tax Treaty, dividends paid to certain religious, scientific, literary, educational or charitable organizations and certain pension organizations that are resident in, and generally exempt from tax in, the U.S., generally are exempt from Canadian non-resident withholding tax. Provided that certain administrative procedures are observed by such an organization, Celestica would not be required to withhold such tax from dividends paid or credited to such organization.

Disposition of Subordinate Voting Shares

A U.S. Holder will not be subject to tax under the Canadian Tax Act in respect of any capital gain realized on the disposition or deemed disposition of subordinate voting shares unless the subordinate voting shares constitute or are deemed to constitute "taxable Canadian property" (as defined in the Canadian Tax Act) (other than treaty-protected property, as defined in the Canadian Tax Act) at the time of such disposition. Shares of a

corporation resident in Canada that are listed on a prescribed stock exchange (or, pursuant to certain proposed amendments to the Canadian Tax Act, a designated stock exchange) for purposes of the Canadian Tax Act will be "taxable Canadian property" under the Canadian Tax Act if, at any time during the five-year period immediately preceding the disposition or deemed disposition of the share, the U.S. Holder, persons with whom the U.S. Holder did not deal at arm's length, or the U.S. Holder together with such persons owned 25% or more of the issued shares of any class or series of shares of the corporation that issued the shares. Provided that they are listed on a prescribed stock exchange (or designated stock exchange) for purposes of the Canadian Tax Act (which includes the TSX and NYSE), subordinate voting shares acquired by a U.S. Holder generally will not be taxable Canadian property to a U.S. Holder unless the foregoing 25% ownership threshold applies to the U.S. Holder with respect to Celestica or the subordinate voting shares are otherwise deemed by the Canadian Tax Act to be taxable Canadian property. Even if the subordinate voting shares are taxable Canadian property to a U.S. Holder, they generally will be treaty-protected property if the value of such shares at the time of disposition is not derived principally from real property situated in Canada. Consequently, any gain realized by the U.S. Holder upon the disposition of the subordinate voting shares generally will be exempt from tax under the Canadian Tax Act.

Material United States Federal Income Tax Considerations

The following discussion describes the material United States federal income tax consequences to United States Holders (as defined below) of subordinate voting shares. A United States Holder is a citizen or resident of the United States, a corporation (or other entity taxable as a corporation), partnership or limited liability company created or organized in or under the laws of the United States or of any political subdivision thereof, an estate, the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source, or a trust, if either (i) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (ii) the trust has made an election under applicable U.S. Treasury regulations to be treated as a United States person. If a partnership (or limited liability company that is treated as a partnership) holds subordinate voting shares, the tax treatment of a partner generally will depend upon the status of the partner and upon the activities of the partnership. If you are a partner of a partnership holding subordinate voting shares, we suggest that you consult with your tax advisor. This summary is for general information purposes only. It does not purport to be a comprehensive description of all of the tax considerations that may be relevant to your decision to purchase, hold or dispose of subordinate voting shares. This summary considers only United States Holders who will own subordinate voting shares as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). In this context, the term "capital assets" means, in general, assets held for investment by a taxpayer. Material aspects of U.S. federal income tax relevant to non-United States Holders are also discussed below.

This discussion is based on current provisions of the Internal Revenue Code, current and proposed Treasury regulations promulgated thereunder and administrative and judicial decisions as of March 4, 2008, all of which are subject to change, possibly on a retroactive basis. This discussion does not address all aspects of U.S. federal income taxation that may be relevant to any particular United States Holder based on the United States Holder's individual circumstances. In particular, this discussion does not address the potential application of the alternative minimum tax or U.S. federal income tax consequences to United States Holders who are subject to special treatment, including taxpayers who are broker dealers or insurance companies, taxpayers who have elected mark-to-market accounting, individual retirement and other tax-deferred accounts, tax-exempt organizations, financial institutions or "financial services entities," taxpayers who hold subordinate voting shares as part of a "straddle," "hedge" or "conversion transaction" with other investments, taxpayers owning directly, indirectly or by attribution at least 10% of the voting power of our share capital, and taxpayers whose functional currency (as defined in Section 985 of the Internal Revenue Code) is not the U.S. dollar.

This discussion does not address any aspect of U.S. federal gift or estate tax or state, local or non-U.S. tax laws. Additionally, the discussion does not consider the tax treatment of persons who hold subordinate voting shares through a limited liability company or through a partnership or other pass-through entity (such as an S corporation). For U.S. federal income tax purposes, income earned through a foreign or domestic partnership or

similar entity is generally attributed to its owners. You are advised to consult your own tax advisor with respect to the specific tax consequences to you of purchasing, holding or disposing of the subordinate voting shares.

Taxation of Dividends Paid on Subordinate Voting Shares

In the event that Celestica pays a dividend, and subject to the discussion of the passive foreign investment company (PFIC) rules below, a United States Holder will be required to include in gross income as ordinary income the amount of any distribution paid on subordinate voting shares, including any Canadian taxes withheld from the amount paid, on the date the distribution is received, to the extent that the distribution is paid out of our current or accumulated earnings and profits as determined for U.S. federal income tax purposes. In addition, distributions of the Company's current or accumulated earnings and profits will be foreign source passive income ("passive category income" after 2006) for U.S. foreign tax credit purposes and will not qualify for the dividends received deduction available to corporations. Distributions in excess of such earnings and profits will be applied against and will reduce the United States Holder's tax basis in the subordinate voting shares and, to the extent in excess of such basis, will be treated as capital gain.

Distributions of current or accumulated earnings and profits paid in Canadian dollars to a United States Holder will be includible in the income of the United States Holder in a dollar amount calculated by reference to the exchange rate on the date the distribution is received. A United States Holder who receives a distribution of Canadian dollars and converts the Canadian dollars into U.S. dollars subsequent to receipt will have foreign exchange gain or loss based on any appreciation or depreciation in the value of the Canadian dollar against the U.S. dollar. Such gain or loss will generally be ordinary income and loss and will generally be U.S. source gain or loss for U.S. foreign tax credit purposes. United States Holders should consult their own tax advisors regarding the treatment of a foreign currency gain or loss.

United States Holders will generally have the option of claiming the amount of any Canadian income taxes withheld either as a deduction from gross income or as a dollar-for-dollar credit against their U.S. federal income tax liability, subject to specified conditions and limitations. Individuals who do not claim itemized deductions, but instead utilize the standard deduction, may not claim a deduction for the amount of the Canadian income taxes withheld, but these individuals generally may still claim a credit against their U.S. federal income tax liability. The amount of foreign income taxes that may be claimed as a credit in any year is subject to complex limitations and restrictions, which must be determined on an individual basis by each shareholder. The total amount of allowable foreign tax credits in any year cannot exceed the pre-credit U.S. tax liability for the year attributable to foreign source taxable income and further limitations may apply under the alternative minimum tax. A United States Holder will be denied a foreign tax credit with respect to Canadian income tax withheld from dividends received on subordinate voting shares to the extent that he or she has not held the subordinate voting shares for at least 16 days of the 31-day period beginning on the date which is 15 days before the ex-dividend date or to the extent that he or she is under an obligation to make related payments with respect to substantially similar or related property. Instead, a deduction may be allowed. Any days during which a United States Holder has substantially diminished his or her risk of loss on his or her subordinate voting shares are not counted toward meeting the 16-day holding period.

Individuals, estates or trusts who receive "qualified dividend income" (excluding dividends from a PFIC) in taxable years beginning after December 31, 2002 and before January 1, 2011 generally will be taxed at a maximum U.S. federal rate of 15% (rather than the higher tax rates generally applicable to items of ordinary income) provided certain holding period requirements are met. Celestica believes that dividends paid by it with respect to its subordinate voting shares should constitute "qualified dividend income" for United States federal income tax purposes and that holders who are individuals (as well as certain trusts and estates) should be entitled to the reduced rates of tax, as applicable. Holders are urged to consult their own tax advisors regarding the impact of the "qualified dividend income" provisions of the Internal Revenue Code on their particular situations, including related restrictions and special rules.

Taxation of Disposition of Subordinate Voting Shares

Subject to the discussion of the PFIC rules below, upon the sale, exchange or other disposition of subordinate voting shares, a United States Holder will recognize capital gain or loss in an amount equal to the

difference between his or her adjusted tax basis in his or her shares and the amount realized on the disposition. A United States Holder's adjusted tax basis in the subordinate voting shares will generally be the initial cost, but may be adjusted for various reasons including the receipt by such United States Holder of a distribution that was not made up wholly of earnings and profits as described above under the heading "Taxation of Dividends Paid on subordinate voting shares." A United States Holder that uses the cash method of accounting calculates the dollar value of the proceeds received on the sale date as of the date that the sale settles, while a United States Holder who uses the accrual method of accounting is required to calculate the value of the proceeds of the sale as of the "trade date," unless he or she has elected to use the settlement date to determine his or her proceeds of sale. Capital gain from the sale, exchange or other disposition of shares held more than one year is long-term capital gain and is eligible for a maximum 15% rate of taxation for non-corporate taxpayers. A reduced rate does not apply to capital gains realized by a United States Holder that is a corporation. Capital losses are generally deductible only against capital gains and not against ordinary income. In the case of an individual, however, unused capital losses in excess of capital gains may offset up to \$3,000 annually of ordinary income. Gain or loss recognized by a United States Holder on a sale, exchange or other disposition of subordinate voting shares generally will be treated as U.S. source income or loss for U.S. foreign tax credit purposes. A United States Holder who receives foreign currency upon disposition of subordinate voting shares and converts the foreign currency into U.S. dollars subsequent to receipt will have foreign exchange gain or loss based on any appreciation or depreciation in the value of the foreign currency against the U.S. dollar. United States Holders should consult their own tax advisors regarding the treatment of a foreign currency gain or loss.

Tax Consequences if We Are a Passive Foreign Investment Company

A non-U.S. corporation will be a passive foreign investment company, or PFIC, if, in general, either (i) 75% or more of its gross income in a taxable year, including the pro rata share of the gross income of any U.S. or foreign company in which it is considered to own 25% or more of the shares by value, is passive income or (ii) 50% or more of its assets in a taxable year, averaged over the year and ordinarily determined based on fair market value and including the pro rata share of the assets of any company in which it is considered to own 25% or more of the shares by value, are held for the production of, or produce, passive income. If we were a PFIC and a United States Holder did not make an election to treat the company as a "qualified electing fund" and did not make a mark-to-market election, each as described below, then:

- excess distributions by Celestica to a United States Holder would be taxed in a special way. "Excess distributions" are amounts received by a United States Holder with respect to subordinate voting shares in any taxable year that exceed 125% of the average distributions received by the United States Holder from the company in the shorter of either the three previous years or his or her holding period for his or her shares before the present taxable year. Excess distributions must be allocated ratably to each day that a United States Holder has held subordinate voting shares. A United States Holder must include amounts allocated to the current taxable year and to any non-PFIC years in his or her gross income as ordinary income for that year. A United States Holder must pay tax on amounts allocated to each prior taxable PFIC year at the highest rate in effect for that year on ordinary income and the tax is subject to an interest charge at the rate applicable to deficiencies for income tax;
- the entire amount of gain that is realized by a United States Holder upon the sale or other disposition of shares will also be considered an excess distribution and will be subject to tax as described above; and
- a United States Holder's tax basis in shares that were acquired from a decedent will not receive a step-up to fair market value as of the date of the decedent's death but instead will be equal to the decedent's tax basis, if lower.

The special PFIC rules will not apply to a United States Holder if the United States Holder makes an election to treat the company as a "qualified electing fund" in the first taxable year in which he or she owns subordinate voting shares and if we comply with reporting requirements. Instead, a shareholder of a qualified electing fund is required for each taxable year to include in income a pro rata share of the ordinary earnings of the qualified electing fund as ordinary income and a pro rata share of the net capital gain of the qualified electing fund as long-term capital gain, subject to a separate election to defer payment of taxes, which deferral is subject to an interest charge. We have agreed to supply United States Holders with the information needed to

report income and gain pursuant to this election in the event that we are classified as a PFIC. The election is made on a shareholder-by-shareholder basis and may be revoked only with the consent of the Internal Revenue Service, or IRS. A shareholder makes the election by attaching a completed IRS Form 8621, including the PFIC annual information statement, to a timely filed U.S. federal income tax return. Even if an election is not made, a shareholder in a PFIC who is a United States Holder must file a completed IRS Form 8621 every year.

A United States Holder who owns PFIC shares that are publicly traded could elect to mark the shares to market annually, recognizing as ordinary income or loss each year an amount equal to the difference as of the close of the taxable year between the fair market value of the PFIC shares and the United States Holder's adjusted tax basis in the PFIC shares. If the mark-to-market election were made, then the rules set forth above would not apply for periods covered by the election. The subordinate voting shares would be treated as publicly traded for purposes of the mark-to-market election and, therefore, such election would be made if Celestica were classified as a PFIC. A mark-to-market election is, however, subject to complex and specific rules and requirements, and United States Holders are strongly urged to consult their tax advisors concerning this election if we are classified as a PFIC.

We believe that we were not a PFIC in 2007. However, the tests for determining PFIC status are applied annually, and it is difficult to make accurate predictions of future income and assets, which are relevant to the determination as to whether we will be a PFIC in the future. Accordingly, based on our current business plan, we are uncertain whether or not we will become a PFIC in 2008 or in the foreseeable future. A United States Holder who holds subordinate voting shares during a period in which we are a PFIC will be subject to the PFIC rules, even if we cease to be a PFIC, unless he or she has made a qualifying electing fund election. Although we have agreed to supply United States Holders with the information needed to report income and gain pursuant to this election in the event that we are classified as a PFIC, if we were determined to be a PFIC with respect to a year in which we had not thought that we would be so treated, the information needed to enable United States Holders to make a qualifying electing fund election would not have been provided. United States Holders are strongly urged to consult their tax advisors about the PFIC rules, including the consequences to them of making a mark-to-market or qualifying electing fund elections with respect to subordinate voting shares in the event that we are treated as a PFIC.

Tax Consequences for Non-United States Holders of Subordinate Voting Shares

Except as described in "Information Reporting and Back-up Withholding" below, a non-United States Holder of subordinate voting shares will not be subject to U.S. federal income or withholding tax on the payment of dividends on, and the proceeds from the disposition of, subordinate voting shares unless:

- the item is effectively connected with the conduct by the non-United States Holder of a trade or business in the United States and, in the case of a resident of a country that has an income treaty with the United States, such item is attributable to a permanent establishment in the United States;
- the non-United States Holder is an individual who holds subordinate voting shares as a capital asset and is present in the United States for 183 days or more in the taxable year of the disposition and does not qualify for an exemption; or
- the non-United States Holder is subject to tax pursuant to the provisions of U.S. tax law applicable to U.S. expatriates.

Payments made within the United States, or by a U.S. payor or U.S. middleman, of dividends and proceeds arising from certain sales or other taxable dispositions of subordinate voting shares will be subject to information reporting. Backup withholding tax, at the rate of 28%, will apply if a United States Holder (a) fails to furnish the United States Holder's correct U.S. taxpayer identification number (generally on Form W-9), (b) is notified by the IRS that the United States Holder has previously failed to properly report items subject to backup withholding tax, or (c) fails to certify, under penalty of perjury, that the United States Holder has furnished the United States Holder's correct U.S. taxpayer identification number and that the IRS has not notified the United States Holder that the United States Holder is subject to backup withholding tax. However, United States Holders that are corporations generally are excluded from these information reporting and backup withholding tax rules. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against a United States Holder's U.S. federal income tax liability, if any, or will be refunded, if the United States Holder follows the requisite procedures and timely furnishes the required information to the IRS. United States Holders should consult their own tax advisors regarding the information reporting and backup withholding tax rules.

Non-United States Holders generally are not subject to information reporting or back-up withholding with respect to dividends paid on or upon the disposition of shares, provided in some instances that the non-United States Holder provides a taxpayer identification number, certifies to his foreign status or otherwise establishes an exemption.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

Any statement in this Annual Report about any of our contracts or other documents is not necessarily complete. If the contract or document is filed as an exhibit to this Annual Report or is incorporated by reference, the contract or document is deemed to modify our description. You must review the exhibits themselves for a complete description of the contract or document.

You may review a copy of our filings with the SEC, including exhibits and schedules filed with this Annual Report, at the SEC's public reference facilities in Room 1580, 100 F Street, N.E., Washington, D.C. 20549. You may also obtain copies of such materials from the Public Reference Section of the SEC, Room 1580, 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. You may call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. The SEC maintains a website (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. We began to file electronically with the SEC in November 2000.

You may read and copy any reports, statements or other information that we file with the SEC at the addresses indicated above and you may also access some of them electronically at the website set forth above. These SEC filings are also available to the public from commercial document retrieval services.

We also file reports, statements and other information with the Canadian Securities Administrators, or the CSA, and these can be accessed electronically at the CSA's System for Electronic Document Analysis and Retrieval website (<http://www.sedar.com>).

You may access other information about Celestica on our website at <http://www.celestica.com>.

I. Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk
Exchange Rate Risk

We have entered into foreign currency contracts to hedge foreign currency risk. These financial instruments include, to varying degrees, elements of market risk. The table below provides information about our foreign currency contracts. The table presents the notional amounts and weighted average exchange rates by expected (contractual) maturity dates. These notional amounts generally are used to calculate the contractual payments to be exchanged under the contracts. At December 31, 2007, these contracts had a fair value net unrealized gain of U.S.\$20.0 million.

| | Expected Maturity Date | | | | | Total | Fair Value Gain (Loss) |
|---|------------------------|----------------|-------------|-------------|---------------------|-----------------|------------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 and thereafter | | |
| Forward Exchange Agreements | | | | | | | |
| Contract amount in millions | | | | | | | |
| Receive C\$/Pay U.S.\$ | | | | | | | |
| Contract amount | \$ 204.6 | \$ 12.1 | \$ — | \$ — | \$ — | \$ 216.7 | \$ 15.8 |
| Average exchange rate | \$ 0.95 | \$ 1.01 | | | | | |
| Receive Thai Baht/Pay U.S.\$ | | | | | | | |
| Contract amount | \$ 73.8 | — | — | — | — | \$ 73.8 | \$ 0.7 |
| Average exchange rate | \$ 0.03 | | | | | | |
| Receive Malaysian Ringgit/Pay U.S.\$ | | | | | | | |
| Contract amount | \$ 52.7 | — | — | — | — | \$ 52.7 | \$ 1.2 |
| Average exchange rate | \$ 0.30 | | | | | | |
| Receive Mexican Peso/Pay U.S.\$ | | | | | | | |
| Contract amount | \$ 49.9 | — | — | — | — | \$ 49.9 | \$ 0.4 |
| Average exchange rate | \$ 0.09 | | | | | | |
| Receive Czech Koruna/Pay U.S.\$ | | | | | | | |
| Contract amount | \$ 28.6 | — | — | — | — | \$ 28.6 | \$ 1.2 |
| Average exchange rate | \$ 0.05 | | | | | | |
| Receive Singapore \$/Pay U.S.\$ | | | | | | | |
| Contract amount | \$ 23.0 | — | — | — | — | \$ 23.0 | \$ 0.7 |
| Average exchange rate | \$ 0.68 | | | | | | |
| Receive U.S.\$/Pay Euro | | | | | | | |
| Contract amount | \$ 2.0 | — | — | — | — | \$ 2.0 | — |
| Average exchange rate | \$ 1.47 | | | | | | |
| Total | \$ 434.6 | \$ 12.1 | \$ — | \$ — | \$ — | \$ 446.7 | \$ 20.0 |

Interest Rate Risk

Our existing debt is comprised of capital lease commitments amounting to \$0.2 million. These capital lease commitments are not sensitive to changes in interest rates.

In June 2004, we issued our 2011 Notes with an aggregate principal amount of \$500.0 million due 2011, with a fixed interest rate of 7.875%. In connection with the notes offering, we entered into interest rate swap agreements which hedge the fair value of the 2011 Notes by swapping the fixed rate of interest for a variable rate based on LIBOR plus a margin. The notional amount of the agreements is \$500.0 million. The agreements are effective as of June 2004 and mature July 2011. The average interest rate on the 2011 Notes for 2007 was 8.3% (2006 — 8.2%; and 2005 — 6.4%), after reflecting the interest rate swap. As a result of entering into the interest rate swap agreements, 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 million annually. We designated the interest rate swap agreements as fair value hedges. At December 31, 2007, we recognized \$8.7 million in other long-term assets to reflect the fair value of the interest rate swap agreements.

At December 31, 2007, the approximate fair value of our 7⁷/₈% Senior Subordinated Notes and 7⁵/₈% Senior Subordinated Notes were 96% and 94% of their face values on December 31, 2007, respectively, based on quoted market rates or prices.

Item 12. Description of Securities Other than Equity Securities

Not applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 15. Controls and Procedures

Information concerning our controls and procedures is set forth in Item 5, "Operating and Financial Review and Prospects — Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Controls and Procedures."

The attestation report from our auditors KPMG LLP is set forth on page F-2 of our financial statements.

Item 16. [Reserved.]

Item 16A. Audit Committee Financial Expert

The Board of Directors has considered the extensive financial experience of Mr. Crandall and Mr. Etherington, including their respective experiences serving as the Chief Financial Officer of a large U.S. and/or Canadian organization, and has determined that each of them is an audit committee financial expert within the meaning of the U.S. Sarbanes Oxley Act of 2002.

The Board of Directors also determined that Messrs. Crandall and Etherington are independent directors, as that term is defined in the NYSE listing standards.

Item 16B. Code of Ethics

The Board of Directors has adopted a Finance Code of Professional Conduct for Celestica's CEO, our senior finance officers, and all personnel in the finance organization to deter wrongdoing and promote honest and ethical conduct in the practice of financial management; full, fair, accurate, timely and understandable disclosure; and compliance with all applicable laws and regulations. These professionals are expected to abide by this code as well as Celestica's Business Conduct Governance policy and all of our other applicable business policies, standards and guidelines.

The Finance Code of Professional Conduct and the Business Conduct Governance policy can be accessed electronically at <http://www.celestica.com>. Celestica will provide a copy of such policies free of charge to any person who so requests. Requests should be directed to clsir@celestica.com, by mail to Celestica Investor Relations, 12 Concorde Place, 5th Floor, Toronto, Ontario, M3C 3R8, or by telephone at 416-448-2211.

Item 16C. Principal Accountant Fees and Service

The external auditor is engaged to provide services pursuant to pre-approval policies and procedures established by the Audit Committee of Celestica's Board of Directors. The Audit Committee approves the external auditor's Audit Plan, the scope of the external auditor's quarterly reviews and all related fees. The Audit Committee must approve any non-audit services provided by the auditor and does so only if it considers that these services are compatible with the external auditor's independence.

Our auditors are KPMG LLP. KPMG did not provide any financial information systems design or implementation services to us during 2006 or 2007. The Audit Committee has determined that the provision of the non-audit services by KPMG does not compromise KPMG's independence.

Audit Fees

KPMG billed \$3.9 million in 2007 and \$3.7 million in 2006 for audit services.

Audit-Related Fees

KPMG billed \$0.2 million in 2007 and \$0.5 million in 2006 for audit-related services.

Tax Fees

KPMG billed \$0.6 million in 2007 and \$0.7 million in 2006 for tax compliance, tax advice and tax planning services.

All Other Fees

KPMG did not perform any other services for us.

Pre-approval Policies and Procedures Percentage of Services Approved by Audit Committee

All KPMG services and fees are approved by the Audit Committee.

Percentage of Hours Expended on KPMG's engagement not performed by KPMG's full-time, permanent employees (if greater than 50%)

N/A

Item 16D. Exemptions from the Listing Standards for Audit Committees

None.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

PART III

Item 17. Financial Statements

Not applicable.

Item 18. Financial Statements

The following financial statements have been filed as part of this Annual Report:

| | <u>Page</u> |
|---|-------------|
| Management's Report on Internal Control over Financial Reporting | F-1 |
| Reports of Independent Registered Public Accounting Firm | F-2, F-3 |
| Consolidated Balance Sheets as at December 31, 2006 and 2007 | F-4 |
| Consolidated Statements of Operations for the years ended December 31, 2005, 2006 and 2007 | F-5 |
| Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2005, 2006 and 2007 | F-6 |
| Consolidated Statements of Shareholders' Equity for the years ended December 31, 2005, 2006 and 2007 | F-7 |
| Consolidated Statements of Cash Flows for the years ended December 31, 2005, 2006 and 2007 | F-8 |
| Notes to the Consolidated Financial Statements | F-9 |

Item 19. Exhibits

The following exhibits have been filed as part of this Annual Report:

| Exhibit Number | Description | Incorporated by Reference | | | | |
|----------------|---|---------------------------|------------|-------------------|-------------|----------------|
| | | Form | File No. | Filing Date | Exhibit No. | Filed Herewith |
| 1. | Articles of Incorporation and Bylaws as currently in effect: | | | | | |
| 1.1 | Certificate and Articles of Incorporation | F-1 | 333-8700 | April 29, 1998 | 3.1 | |
| 1.2 | Certificate and Articles of Amendment effective October 22, 1996 | F-1 | 333-8700 | April 29, 1998 | 3.2 | |
| 1.3 | Certificate and Articles of Amendment effective January 24, 1997 | F-1 | 333-8700 | April 29, 1998 | 3.3 | |
| 1.4 | Certificate and Articles of Amendment effective October 8, 1997 | F-1 | 333-8700 | April 29, 1998 | 3.4 | |
| 1.5 | Certificate and Articles of Amendment effective April 29, 1998 | F-1/A | 333-8700 | June 1, 1998 | 3.5 | |
| 1.6 | Articles of Amendment effective June 26, 1998 | F-1 | 333-10030 | February 16, 1999 | 3.6 | |
| 1.7 | Restated Articles of Incorporation effective June 26, 1998 | F-1 | 333-10030 | February 16, 1999 | 3.7 | |
| 1.8 | Restated Articles of Incorporation effective November 20, 2001 | 20-F | 001-14832 | April 21, 2003 | 1.8 | |
| 1.9 | Restated Article of Incorporation effective May 13, 2003 | 20-F | 001-14832 | May 19, 2004 | 1.9 | |
| 1.10 | Bylaw No. 1 | 20-F | 001-14832 | May 22, 2001 | 1.8 | |
| 1.11 | Bylaw No. 2 | F-1 | 333-8700 | April 29, 1998 | 3.9 | |
| 1.12 | Bylaw No. 3 | 20-F | 001-14832 | May 19, 2004 | 1.12 | |
| 1.13 | Bylaw No. 4 | 20-F | 001-14832 | May 19, 2004 | 1.13 | |
| 1.14 | Bylaw No. A | 20-F | 001-14832 | May, 2004 | 1.14 | |
| 2. | Instruments defining rights of holders of equity or debt securities: | | | | | |
| 2.1 | See Certificate and Articles of Incorporation and amendments thereto identified above | | | | | |
| 2.2 | Form of Subordinate Voting Share Certificate | F-1/A | 333-8700 | June 25, 1998 | 4.1 | |
| 2.3 | Indenture, dated as of June 16, 2004, between Celestica Inc. and JPMorgan Chase Bank, N.A., as trustee | 6-K | 0001-14832 | June 17, 2004 | 4.11 | |
| 2.4 | First Supplemental Indenture, dated as of June 16, 2004, between Celestica Inc. and JPMorgan Chase Bank, N.A., as trustee, to the Indenture, dated as of June 16, 2004, between Celestica Inc. and the trustee | 6-K | 0001-14832 | June 17, 2004 | 4.21 | |
| 2.5 | Second Supplemental Indenture, dated as of December 30, 2004, between Celestica Inc. and JPMorgan Chase Bank, N.A., as trustee, to the First Supplemental Indenture, dated as of June 16, 2004, between Celestica Inc. and the trustee, to the Indenture, dated as of June 16, 2004, between Celestica Inc. and the trustee | 20-F | 0001-14832 | March 21, 2005 | 2.7 | |
| 2.6 | Third Supplemental Indenture, dated as of June 23, 2005, between Celestica Inc. and JPMorgan Chase Bank, N.A., as trustee to the Indenture, dated as of June 16, 2004, between Celestica Inc. and the trustee | 6 K | 0001 14832 | June 20, 2005 | 4.22 | |

| | | | | | | |
|------|---|-------|------------|-------------------|-------|---|
| 2.7 | Fourth Amended and Restated Revolving Term Credit Agreement, April 12, 2007, between: Celestica Inc., the Subsidiaries of Celestica Inc. specified therein as Designated Subsidiaries, CIBC World Markets, as Joint Lead Arranger, RBC Capital Markets, as Joint Lead Arranger and Co-Syndication Agent, Canadian Imperial Bank of Commerce, a Canadian Chartered Bank, as Administrative Agent, Banc of America Securities LLC, as Co-Syndication Agent and the financial institutions named in Schedule A, as lenders | | | | | X |
| 4. | Certain Contracts: | | | | | |
| 4.1 | Amended and Restated Management Services Agreement, dated as of July 1, 2003, among Celestica Inc., Celestica North America Inc. and Onex Corporation | F-4 | 333-110362 | November 10, 2003 | 10.1 | |
| 4.2 | Stock Purchase Agreement, dated January 8, 2002, between NEC Corporation, NEC Miyagi, Ltd., NEC Yamanashi, Ltd., 1325091 Ontario Inc., and Celestica Inc.* | 20-F | 001-14832 | April 21, 2003 | 3.8 | |
| 4.3 | Agreement and Plan of Merger, dated as of October 14, 2003, by and among Celestica Inc., MSL Acquisition Sub Inc. and Manufacturers' Services Limited | F-4 | 333-110362 | November 10, 2003 | 2.1 | |
| 4.4 | Executive Employment Agreement, dated as of July 26, 2007, between Celestica Inc., Celestica International Inc. and Celestica Corporation and Craig H. Muhlhauser | | | | | X |
| 4.5 | Executive Employment Agreement, dated as of July 26, 2007, between Celestica Inc., Celestica International Inc. and Paul Nicoletti | | | | | X |
| 4.6 | Executive Employment Agreement, dated as of January 1, 2008, between Celestica Inc., Celestica International Inc. and Elizabeth L. DelBianco | | | | | X |
| 4.7 | Executive Employment Agreement, dated as of July 22, 2004, between Celestica Inc., Celestica International Inc. and Peter J. Bar | 20-F | 001-14832 | March 21, 2005 | 4.9 | |
| 4.8 | Executive Employment Agreement, dated as of July 22, 2004, between Celestica Inc., Celestica International Inc. and Rahul Suri | 20-F | 001-14832 | March 21, 2005 | 4.15 | |
| 4.9 | Executive Employment Agreement, dated as of July 26, 2006, between Celestica Inc., Celestica International Inc. and Anthony P. Puppi | | | | | X |
| 4.10 | Canadian Share Unit Plan | 20-F | 001-14832 | March 21, 2005 | 4.16 | |
| 4.11 | D2D Employee Share Purchase and Option Plan (1997) | F-1/A | 333-8700 | June 1, 1998 | 10.20 | |

| | | | | | | |
|------|--|------|-----------|-----------------|-------|---|
| 4.12 | Celestica 1997 U.K. Approved Share Option Scheme | F-1 | 333-8700 | April 29, 1998 | 10.19 | |
| 4.13 | 1998 U.S. Executive Share Purchase and Option Plan | S-8 | 333-9500 | October 8, 1998 | 4.6 | |
| 8.1 | Subsidiaries of Registrant | | | | | X |
| 12.1 | Chief Executive Officer Certification | | | | | X |
| 12.2 | Chief Financial Officer Certification | | | | | X |
| 13.1 | Certification required by Rule 13a-14(b)** | | | | | X |
| 15.1 | Celestica Audit Committee Mandate | 20-F | 001-14832 | March 21, 2006 | 15.1 | |
| 15.2 | Consent of KPMG LLP, Chartered Accountants | | | | | X |

* Request for confidential treatment granted. Confidential portions of this document have been redacted and filed separately with the Securities and Exchange Commission.

** Pursuant to Commission Release No. 33-8212, this certification will be treated as "accompanying" this Annual Report on Form 20-F and not "filed" as part of such report for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of Section 18 of the Exchange Act, and this certification will not be incorporated by reference into any filing under the Securities Act, or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

CELESTICA INC.

By: /s/ ELIZABETH L. DELBIANCO

Elizabeth L. DelBianco
Executive Vice President
Chief Legal and Administrative Officer and Corporate Secretary

Date: March 25, 2008

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Celestica Inc. (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control system was designed to provide reasonable assurance to its management and Board of Directors regarding the preparation and fair presentation of published financial statements in accordance with generally accepted accounting principles. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management maintains a comprehensive system of controls intended to ensure that transactions are executed in accordance with management's authorization, assets are safeguarded, and financial records are reliable. Management also takes steps to see that information and communication flows are effective and to monitor performance, including performance of internal control procedures.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2007 based on the criteria set forth in the Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has concluded that, as of December 31, 2007, the Company's internal control over financial reporting is effective. The Company's independent auditors, KPMG LLP, has issued an unqualified opinion of the effectiveness of the Company's internal control over financial reporting.

February 13, 2008

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of
Celestica Inc.

We have audited Celestica Inc.'s (the "Company") internal control over financial reporting as of December 31, 2007, based on the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying "Management's report on internal control over financial reporting." Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian and U.S. generally accepted accounting principles. A Company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have conducted our audits on the consolidated financial statements, in accordance with Canadian generally accepted auditing standards. With respect to the consolidated financial statements for the two years ended December 31, 2007, we also conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our report dated February 13, 2008 expressed an unqualified opinion on those consolidated financial statements.

Toronto, Canada
February 13, 2008

/s/ KPMG LLP
Chartered Accountants,
Licensed Public Accountants

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of
Celestica Inc.

We have audited the accompanying consolidated balance sheets of Celestica Inc. (the "Company") as of December 31, 2006 and 2007 and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. With respect to the consolidated financial statements for the two years ended December 31, 2007, we also conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2006 and 2007 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2007 in conformity with Canadian generally accepted accounting principles.

Canadian generally accepted accounting principles vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in note 20 to the consolidated financial statements.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2007, based on the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 13, 2008 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Toronto, Canada
February 13, 2008

/s/ KPMG LLP
Chartered Accountants,
Licensed Public Accountants

CELESTICA INC.

CONSOLIDATED BALANCE SHEETS

(in millions of U.S. dollars)

| | As at December 31 | |
|---|-------------------|------------|
| | 2006 | 2007 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 803.7 | \$ 1,116.7 |
| Accounts receivable (note 2(e)) | 973.2 | 941.2 |
| Inventories (note 2(f)) | 1,197.9 | 791.9 |
| Prepaid and other assets | 111.0 | 126.2 |
| Income taxes recoverable | 31.2 | 19.8 |
| Deferred income taxes (note 12) | 3.8 | 3.8 |
| | 3,120.8 | 2,999.6 |
| Property, plant and equipment (note 4) | 553.6 | 466.0 |
| Goodwill from business combinations (note 5) | 854.8 | 850.5 |
| Intangible assets (note 5) | 60.1 | 35.2 |
| Other assets (note 6) | 97.0 | 119.2 |
| | \$ 4,686.3 | \$ 4,470.5 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 1,193.6 | \$ 1,029.8 |
| Accrued liabilities (notes 11 and 20(e)) | 487.9 | 402.6 |
| Income taxes payable | 42.7 | 14.0 |
| Deferred income taxes (note 12) | 1.1 | — |
| Current portion of long-term debt (note 7) | 0.6 | 0.2 |
| | 1,725.9 | 1,446.6 |
| Long-term debt (note 7) | 750.2 | 758.3 |
| Accrued pension and post-employment benefits (notes 14 and 20(d)) | 54.9 | 70.4 |
| Deferred income taxes (note 12) | 47.5 | 63.3 |
| Other long-term liabilities | 13.2 | 13.7 |
| | 2,591.7 | 2,352.3 |
| Shareholders' equity: | | |
| Capital stock (note 9(b)) | 3,576.6 | 3,585.2 |
| Warrants (note 9(b)) | 8.4 | 3.1 |
| Contributed surplus | 179.3 | 190.3 |
| Deficit | (1,696.2) | (1,716.3) |
| Accumulated other comprehensive income (note 10) | 26.5 | 55.9 |
| | 2,094.6 | 2,118.2 |
| | \$ 4,686.3 | \$ 4,470.5 |
| Commitments, contingencies and guarantees (note 16). | | |
| Canadian and United States accounting policy differences (note 20). | | |

See accompanying notes to consolidated financial statements.

CELESTICA INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions of U.S. dollars, except per share amounts)

| | Year ended December 31 | | |
|--|------------------------|------------|------------|
| | 2005 | 2006 | 2007 |
| Revenue | \$ 8,471.0 | \$ 8,811.7 | \$ 8,070.4 |
| Cost of sales | 7,989.9 | 8,359.9 | 7,648.0 |
| Gross profit | 481.1 | 451.8 | 422.4 |
| Selling, general and administrative expenses (SG&A) | 296.9 | 285.6 | 295.1 |
| Amortization of intangible assets (note 5) | 28.4 | 27.0 | 21.3 |
| Integration costs related to acquisitions (note 3) | 0.6 | 0.9 | 0.1 |
| Other charges (note 11) | 130.9 | 211.8 | 47.6 |
| Accretion of convertible debt (note 8) | 7.6 | — | — |
| Interest on long-term debt (note 7) | 48.4 | 67.1 | 66.4 |
| Interest income, net of interest expense | (6.2) | (4.5) | (15.2) |
| Earnings (loss) before income taxes | (25.5) | (136.1) | 7.1 |
| Income taxes expense (recovery) (note 12): | | | |
| Current | 36.9 | (40.7) | 14.4 |
| Deferred | (15.6) | 55.2 | 6.4 |
| | 21.3 | 14.5 | 20.8 |
| Net loss | \$ (46.8) | \$ (150.6) | \$ (13.7) |
| Basic loss per share | \$ (0.21) | \$ (0.66) | \$ (0.06) |
| Diluted loss per share | \$ (0.21) | \$ (0.66) | \$ (0.06) |
| Shares used in computing per share amounts (in millions): | | | |
| Basic | 226.2 | 227.2 | 228.9 |
| Diluted | 226.2 | 227.2 | 228.9 |
| Net loss in accordance with U.S. GAAP (note 20) | \$ (42.8) | \$ (149.3) | \$ (16.1) |
| Basic loss per share, in accordance with U.S. GAAP (note 20) | \$ (0.19) | \$ (0.66) | \$ (0.07) |
| Diluted loss per share, in accordance with U.S. GAAP (note 20) | \$ (0.19) | \$ (0.66) | \$ (0.07) |

See accompanying notes to consolidated financial statements.

CELESTICA INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in millions of U.S. dollars)

| | Year ended December 31 | | |
|---|------------------------|------------|-----------|
| | 2005 | 2006 | 2007 |
| Net loss | \$ (46.8) | \$ (150.6) | \$ (13.7) |
| Other comprehensive income (loss), net of tax: | | | |
| Foreign currency translation gain (loss) | (21.9) | 7.1 | 8.7 |
| Net gain on derivatives designated as cash flow hedges | — | — | 37.5 |
| Net gain on derivatives designated as cash flow hedges reclassified to operations | — | — | (16.3) |
| Comprehensive income (loss) | \$ (68.7) | \$ (143.5) | \$ 16.2 |

See accompanying notes to consolidated financial statements.

CELESTICA INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in millions of U.S. dollars)

| | Convertible Debt (note 8) | Capital Stock (note 9) | Warrants (note 9) | Contributed Surplus | Deficit |
|--------------------------------------|------------------------------|---------------------------|-------------------|---------------------|--------------|
| Balance — December 31, 2004 | \$ 210.2 | \$ 3,559.1 | \$ 8.9 | \$ 142.9 | \$ (1,473.6) |
| Repurchase of convertible debt | (210.2) | — | — | — | (25.2) |
| Shares issued | — | 8.0 | — | — | — |
| Warrants cancelled | — | — | (0.5) | 0.5 | — |
| Stock-based costs (note 9) | — | — | — | 21.1 | — |
| Other | — | (4.8) | — | 5.4 | — |
| Net loss for the year | — | — | — | — | (46.8) |
| Balance — December 31, 2005 | — | 3,562.3 | 8.4 | 169.9 | (1,545.6) |
| Shares issued | — | 14.3 | — | — | — |
| Stock-based costs (note 9) | — | — | — | 8.8 | — |
| Other | — | — | — | 0.6 | — |
| Net loss for the year | — | — | — | — | (150.6) |
| Balance — December 31, 2006 | — | 3,576.6 | 8.4 | 179.3 | (1,696.2) |
| Change in accounting policy (note 2) | — | — | — | — | (6.4) |
| Shares issued | — | 8.6 | — | — | — |
| Warrants cancelled | — | — | (5.3) | 5.3 | — |
| Stock-based costs (note 9) | — | — | — | 5.1 | — |
| Other | — | — | — | 0.6 | — |
| Net loss for the year | — | — | — | — | (13.7) |
| Balance — December 31, 2007 | \$ — | \$ 3,585.2 | \$ 3.1 | \$ 190.3 | \$ (1,716.3) |

See accompanying notes to consolidated financial statements.

CELESTICA INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of U.S. dollars)

| | Year ended December 31 | | |
|--|------------------------|------------|------------|
| | 2005 | 2006 | 2007 |
| Cash provided by (used in): | | | |
| Operations: | | | |
| Net loss | \$ (46.8) | \$ (150.6) | \$ (13.7) |
| Items not affecting cash: | | | |
| Depreciation and amortization | 152.7 | 134.2 | 130.8 |
| Deferred income taxes (note 12) | (15.6) | 55.2 | 6.4 |
| Accretion of convertible debt | 7.6 | — | — |
| Non-cash charge for option issuances | 9.0 | 5.1 | 7.0 |
| Restructuring charges (note 11) | 11.0 | 47.9 | 5.1 |
| Other charges | (15.3) | 34.6 | 14.0 |
| Gain on settlement of principal component of convertible debt (note 8) | (13.9) | — | — |
| Other | 14.5 | 1.9 | 18.0 |
| Changes in non-cash working capital items: | | | |
| Accounts receivable | 42.0 | (24.8) | 32.0 |
| Inventories | — | (172.0) | 406.0 |
| Prepaid and other assets | 17.3 | 2.7 | (6.8) |
| Income taxes recoverable | (24.4) | 72.1 | 11.4 |
| Accounts payable and accrued liabilities | 51.2 | 108.0 | (237.6) |
| Income taxes payable | 29.0 | (75.1) | (21.2) |
| Non-cash working capital changes | 115.1 | (89.1) | 183.8 |
| Cash provided by operations | 218.3 | 39.2 | 351.4 |
| Investing: | | | |
| Acquisitions, net of cash acquired/indebtedness assumed (note 3) | (6.5) | (19.1) | — |
| Purchase of property, plant and equipment | (158.5) | (189.1) | (63.7) |
| Proceeds, net of cash divested from sale of operations or assets | 50.9 | 1.0 | 27.0 |
| Other | 2.2 | (0.7) | (0.2) |
| Cash used in investing activities | (111.9) | (207.9) | (36.9) |
| Financing: | | | |
| Increase in long-term debt (note 7) | 250.0 | — | — |
| Long-term debt issue costs | (4.2) | — | — |
| Repayment of long-term debt | (3.4) | (0.6) | (0.6) |
| Financing costs | (1.1) | — | (1.4) |
| Repurchase of convertible debt (note 8) | (352.0) | — | — |
| Issuance of share capital | 8.0 | 5.3 | 3.5 |
| Other | (3.5) | (1.3) | (3.0) |
| Cash provided by (used in) financing activities | (106.2) | 3.4 | (1.5) |
| Increase (decrease) in cash | 0.2 | (165.3) | 313.0 |
| Cash and cash equivalents, beginning of year | 968.8 | 969.0 | 803.7 |
| Cash and cash equivalents, end of year | \$ 969.0 | \$ 803.7 | \$ 1,116.7 |

Supplemental cash flow information (note 19).

See accompanying notes to consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions of U.S. dollars)

1. BASIS OF PRESENTATION:

We prepare our financial statements in accordance with generally accepted accounting principles in Canada (Canadian GAAP). Except as outlined in note 20, these financial statements are, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

2. SIGNIFICANT ACCOUNTING POLICIES:**(a) Principles of consolidation:**

These consolidated financial statements include our subsidiaries. Subsidiaries that are acquired during the year are consolidated from their respective dates of acquisition. Inter-company transactions and balances are eliminated on consolidation.

(b) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Actual results could differ materially from those estimates and assumptions. We applied significant estimates and assumptions to our valuations against accounts receivable, inventory and income taxes, to the amount and timing of restructuring charges or recoveries, to the fair values used in testing goodwill and long-lived assets, and to valuing our financial instruments and pension costs.

(c) Revenue:

We derive most of our revenue from the sale of electronic equipment that we have built to customer specifications. We recognize revenue from product sales when all of the following criteria have been met: shipment has occurred; title has passed; persuasive evidence of an arrangement exists; performance has occurred; receivables are reasonably assured of collection; and customer specified test criteria have been met. We have no further performance obligations after revenue has been recognized, other than our standard manufacturing warranty. We have contractual arrangements with the majority of our customers that require the customer to purchase unused inventory that we have purchased to fulfill that customer's forecasted manufacturing demand. We account for raw material returns as reductions in inventory and do not recognize revenue on these transactions.

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

We also derive revenue from design, engineering, fulfillment and after-market services. We recognize services revenue for short-term contracts as we perform the services and for long-term contracts on a percentage-of-completion basis.

(d) Cash and cash equivalents:

Cash and cash equivalents include cash on account and short-term investments with original maturities of less than three months. Most of the short-term investments are held to maturity, except for investments in highly liquid mutual funds which are held for trading.

(e) Allowance for doubtful accounts:

We record an allowance for doubtful accounts against accounts receivable that management believes are impaired. We record specific allowances against customer receivables based on our knowledge of the financial condition of our customers. We also consider the aging of the receivables, customer and industry concentrations, the current business environment, and historical experience.

Accounts receivable are net of an allowance for doubtful accounts of \$21.5 at December 31, 2007 (2006 — \$21.4).

(f) Inventories:

We value our inventory on a first-in, first-out basis at the lower of cost and replacement cost for raw materials, and at the lower of cost and net realizable value for work in progress and finished goods. Cost includes direct materials, labor and overhead. In determining the net realizable value, we consider factors such as shrinkage, the aging of and future demand for the inventory, contractual arrangements with customers, and our ability to redistribute inventory to other programs or return inventory to suppliers.

| | 2006 | 2007 |
|------------------|-------------------|-----------------|
| Raw materials | \$ 751.2 | \$ 543.7 |
| Work in progress | 150.8 | 92.5 |
| Finished goods | 295.9 | 155.7 |
| | <u>\$ 1,197.9</u> | <u>\$ 791.9</u> |

(g) Property, plant and equipment:

We carry property, plant and equipment at cost and depreciate these assets over their estimated useful lives or lease terms on a straight-line basis. The estimated useful lives for our principal asset categories are as follows:

| | |
|----------------------------------|---------------------------------|
| Buildings | 25 years |
| Buildings/leasehold improvements | Up to 25 years or term of lease |
| Office equipment | 5 years |
| Machinery and equipment | 3 to 7 years |
| Software | 1 to 10 years |

We expense maintenance and repair costs as incurred.

Effective October 1, 2005, we changed the estimated useful lives of certain machinery and equipment from five years to seven years based on our experience and the extended use of these assets. As a result of this change in estimated useful life, depreciation expense included in cost of sales was lower by approximately \$16 in 2006 and approximately \$6 in 2005.

(h) Goodwill from business combinations:

We are required to evaluate goodwill annually or whenever events or changes in circumstances indicate that we may not recover the carrying amount. Absent any triggering events during the year, we conduct our goodwill assessment in the fourth quarter of the year to correspond with our planning cycle. We test impairment at the reporting unit level by comparing the reporting unit's carrying amount to its fair value. We estimate the fair values of the reporting units using a market approach. To the extent a reporting unit's carrying amount exceeds its fair value, we have an impairment of goodwill. We measure impairment by comparing the fair value of goodwill, determined in a manner similar to a purchase price allocation, to its carrying amount. In the fourth

quarter of each year, we performed our annual goodwill assessment and determined that there was no impairment for 2005, 2006 or 2007. The process of determining fair values is subjective and requires management to exercise judgment in making assumptions about future results, including revenue and expense projections at the reporting unit level.

(i) Intangible assets:

Intangible assets are comprised of intellectual property and other intangible assets. Intellectual property assets consist primarily of certain non-patented intellectual property and process technology, and we amortize these assets on a straight-line basis over their estimated useful lives, to a maximum of five years. Other intangible assets consist primarily of customer relationships and contract intangibles. We amortize other intangible assets on a straight-line basis over their estimated useful lives, to a maximum of 10 years.

(j) Impairment or disposal of long-lived assets:

We review long-lived assets (comprised of property, plant and equipment and intangible assets) for impairment on an annual basis or whenever events or changes in circumstances indicate that we may not recover the carrying amount. Absent any triggering events during the year, we conduct our long-lived assets assessment in the fourth quarter of the year to correspond with our planning cycle. We must classify assets as either held-for-use or available-for-sale. We recognize an impairment loss on an asset used when the carrying amount exceeds the projected undiscounted future net cash flows we expect from its use and disposal. We measure the loss as the amount by which the carrying amount exceeds its fair value, which we determine using discounted cash flows when quoted market prices are not available. The process of determining fair values is subjective and requires management to exercise judgment in making assumptions about future results, including revenue and cash flow projections and discount rates. For assets available-for-sale, we recognize an impairment loss when the carrying amount exceeds the fair value less costs to sell. We have recorded impairment charges in 2005, 2006 and 2007. See note 11(c).

(k) Pension and non-pension post-employment benefits:

We accrue our obligations under employee benefit plans and the related costs, net of plan assets. The cost of pensions and other post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service, and management's best estimate of expected plan investment performance, salary escalation, compensation levels at time of retirement, retirement ages, and expected healthcare costs. Changes in these assumptions could impact future pension expense. For the purpose of calculating the expected return on plan assets, we value assets at fair value. We amortize past service costs arising from plan amendments on a straight-line basis over the average remaining service period of employees active at the date of amendment. We amortize actuarial gains or losses exceeding 10% of a plan's accumulated benefit obligations or the fair market value of the plan assets at the beginning of the year, over the average remaining service period of active employees, except for plans where all, or almost all, of the employees are no longer active, in which we amortize over the average remaining life of the former employees. We measure plan assets and the accrued benefit obligations at December 31. The average amortization period of the pension plans is 11 years for 2006 and 29 years for 2007. The average remaining service period of active employees covered by the other post-employment benefits plans is 19 years for both 2006 and 2007. Curtailment gains or losses may arise from significant changes to a plan. We offset curtailment gains against unrecognized losses and record any excess gains when the curtailment occurs and all curtailment losses in the period in which it is probable that a curtailment will occur. We record pension assets as other assets and pension liabilities as accrued pension and post-employment benefits.

(l) Deferred financing costs:

Prior to 2007, we deferred the costs relating to long-term debt in other assets and amortized them over the term of the related debt or debt facilities. On January 1, 2007, we reclassified the unamortized financing costs as a reduction to the cost of the related debt and are amortizing to operations using the effective interest rate method. See note 2(s)(1).

(m) Income taxes:

We use the asset and liability method of accounting for income taxes. We recognize deferred income tax assets and liabilities for future income tax consequences that are attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. We record a valuation allowance against deferred income tax assets when management believes it is more likely than not that some portion or all of the deferred income tax assets will not be realized. We recognize the effect of changes in tax rates in the period of substantive enactment.

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

(n) Foreign currency translation and hedging:

Foreign currency translation:

The functional currency of the majority of our subsidiaries is the United States dollar. For such subsidiaries, we translate monetary assets and liabilities denominated in foreign currencies into U.S. dollars at the year-end rate of exchange. We translate non-monetary assets and liabilities denominated in foreign currencies at historic rates, and revenue and expenses at the average exchange rates prevailing during the month of the transaction. We record exchange gains or losses in our statement of operations.

We translate the accounts of our self-sustaining foreign operations, for which the functional currency is not the U.S. dollar, into U.S. dollars using the current rate method. We translate assets and liabilities at the year-end rate of exchange, and revenue and expenses at the average exchange rates prevailing during the month of the transaction. We defer gains and losses arising from the translation of these foreign operations in the foreign currency translation adjustment account included in other comprehensive income (loss), which was previously recorded as a separate component of shareholders' equity. See note 2(s)(1).

Foreign currency hedging:

We may enter into forward exchange and option contracts to hedge the cash flow risk associated with firm purchase commitments and forecasted transactions in foreign currencies and foreign-currency denominated balances. We do not enter into derivatives for speculative purposes.

We have formally documented our relationships between hedging instruments and hedged items, as well as our risk management objectives and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. We have also formally assessed, both at the hedge's inception and at the end of each quarter, whether the derivatives used in hedged transactions are highly effective in offsetting changes in the cash flows of hedged items.

Effective January 1, 2007, we adopted the new accounting standards for cash flow hedges and fair value hedges. See note 2(s)(1). Our risk management objectives and hedging activities are described in note 15.

In certain circumstances, we have not designated forward contracts as hedges and therefore have marked these contracts to market each period, resulting in a gain or loss in our statement of operations.

Prior to 2007, we included gains and losses on hedges of firm commitments in the cost of the hedged transaction when they occurred. We recognized gains and losses on hedges of forecasted transactions in earnings in the same period and on the same financial statement caption as the underlying hedged transaction. We accrued foreign exchange translation gains and losses on forward contracts used to hedge foreign-currency denominated amounts on the balance sheet as current assets or current liabilities and recognized gains or losses in the statement of operations, offsetting the respective translation gains or losses on the foreign-currency denominated amounts. We amortized the forward premium or discount over the term of the forward contract. We recognized gains and losses on hedged forecasted transactions in earnings immediately when the hedge was no longer effective or the forecasted transactions were no longer expected.

Interest rate hedging:

In connection with the issuance of our Senior Subordinated Notes (Notes) in June 2004, we entered into agreements to swap the fixed interest rate for a variable interest rate. We have formally documented the hedging relationship, as well as our risk management objectives and strategy for undertaking this hedge. We record the payments or receipts under the swap agreements as interest expense on long-term debt. See note 15.

(o) Research and development:

We incur costs relating to research and development activities. We expense these costs as incurred unless development costs meet certain criteria for capitalization. Total research and development costs recorded in selling, general and administrative expenses for 2007 were \$2.5 (2006 — \$4.7; 2005 — \$8.0). No amounts were capitalized.

(p) Restructuring charges:

We record restructuring charges relating to workforce reductions, facility consolidations and costs associated with exiting businesses. These restructuring charges, which include employee terminations and contractual lease obligations, are only recorded when we incur the liability and can measure its fair value. The recognition of restructuring charges requires management to make certain judgments and estimates regarding the nature, timing and amounts associated with the planned restructuring activities, including estimating future sublease income and the net recoverable amount of property, plant and equipment to be disposed of. The estimated liability may change subsequent to its initial recognition, requiring adjustments to the liability recorded. At the end of each reporting period, we evaluate the appropriateness of the remaining accrued balances.

(q) Stock-based compensation and other stock-based payments:

We account for employee stock options using the fair-value method of accounting. We recognize compensation expense over the vesting period, on a straight-line basis. We recognize the effect of actual forfeitures as they occur. See notes 9(c) and (d) outlining our stock-based compensation plans.

(r) Loss per share and weighted average shares outstanding:

We follow the treasury stock method for calculating diluted loss per share. The diluted per share calculation includes employee stock options, warrants and the conversion of convertible debt instruments, if dilutive.

(s) Changes in accounting policies:

(1) Financial instruments:

Effective January 1, 2007, we adopted the new standards issued by the CICA 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," were effective for our first quarter of 2007. We were not required to restate prior results.

The new standards require that we recognize all financial assets and liabilities on our consolidated balance sheet at fair value, except for loans and receivables, held-to-maturity investments and non-trading financial liabilities, which are carried at their amortized cost. In accordance with the requirements of the new standards, we have recorded certain specific elements of our Senior Subordinated Notes at fair value while keeping the remaining amounts at cost or amortized cost. See notes 7 and 15 for further details. We do not currently have any financial assets designated as available-for-sale.

All derivatives, including embedded derivatives that must be separately accounted for, are measured at fair value in our consolidated balance sheet. The types of hedging relationships that qualify for hedge accounting have not changed under the new standards. We will continue to designate our hedges as either cash flow hedges or fair value hedges. In a cash flow hedge, changes in the fair value of the hedging derivative, to the extent effective, are recorded in other comprehensive income (loss) (OCI) until the asset or liability being hedged is recognized in operations. Any cash flow hedge ineffectiveness is recognized in operations immediately. For hedges that are discontinued before the end of the original hedge term, the unrealized hedge gain (loss) in OCI is amortized to operations over the remaining term of the original hedge. If the hedged item ceases to exist before the end of the original hedge term, the unrealized hedge gain (loss) in OCI is recognized in operations immediately. In a fair value hedge, changes in the fair value of hedging derivatives are offset in operations by the changes in the fair value relating to the hedged risk of the asset, liability or cash flows being hedged. Any fair value hedge ineffectiveness is recognized in operations immediately.

Derivatives may be embedded in financial instruments (the "host instrument"). Under the new standards, embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host instrument, the terms of the embedded derivative are similar to those of a stand-alone derivative, and the combined contract is not held for trading or designated at fair value. These embedded derivatives are measured at fair value with subsequent changes recognized in operations. We have elected January 1, 2003 as our transition date for identifying contracts with embedded derivatives. Currently we have prepayment options that are embedded in our Senior Subordinated Notes which meet the criteria for bifurcation. The impact of the prepayment options on our consolidated financial statements is described under the transitional adjustments below and in note 7(d).

The new standards require that we present a new "consolidated statements of comprehensive income (loss)" as part of our consolidated financial statements. Comprehensive income (loss) is comprised of net income (loss), changes in the fair value of derivative instruments designated as cash flow hedges and the net unrealized foreign currency translation gain (loss) arising from self-sustaining foreign operations, which was previously classified as a separate component of shareholder's equity. Subsequent releases from OCI to operations is dependent on when the hedged items designated under cash flow hedges are recognized in operations, or upon de-recognition of the net investment in a self-sustaining foreign operation.

In determining the fair value of our financial instruments, we used a variety of methods and assumptions that are based on market conditions and risks existing on each reporting date. Broker quotes and standard market conventions and techniques, such as discounted cash flow analysis and option pricing models, are used to determine the fair value of our financial instruments, including derivatives and hedged debt obligations. All

methods of fair value measurement result in a general approximation of value and such value may never be realized.

The transitional impact of adopting the new standards and recording our derivatives on January 1, 2007 at fair value on our consolidated financial statements is as follows:

| | <u>Increase (decrease)</u> |
|---|----------------------------|
| Prepaid and other assets | \$ 5.5 |
| Other assets | (10.3) |
| Accrued liabilities | 5.8 |
| Long-term debt — embedded option and debt obligation | 1.9 |
| Long-term debt — unamortized debt issue costs | (11.5) |
| Other long-term liabilities | 8.1 |
| Long-term deferred income taxes liability | (2.2) |
| Opening deficit | 6.4 |
| Accumulated other comprehensive loss — cash flow hedges | 0.5 |

Cash flow hedges:

As at January 1, 2007, we recorded derivative assets of \$5.8 and derivative liabilities of \$6.0 at fair value on our consolidated balance sheet in relation to our cash flow hedges, with a corresponding balance of \$0.2 recorded in the opening accumulated other comprehensive loss. In addition, we reclassified \$0.3 of net deferred foreign exchange losses to opening accumulated other comprehensive loss. The ineffective portion of cash flow hedges as of December 31, 2006 was insignificant and, therefore, did not impact the opening deficit.

Fair value hedges:

In connection with the issuance of our \$500.0 Senior Subordinated Notes (2011 Notes) in June 2004, we entered into agreements to swap the fixed interest rate for a variable interest rate. We have designated the swap agreements as fair value hedges. As at January 1, 2007, we recorded a derivative liability of \$7.9 (excluding an interest accrual of \$2.0) for the swap agreements in other long-term liabilities. A corresponding fair value adjustment was not recorded against the 2011 Notes because the prior hedge relationship was not a qualified type under Section 3865, after bifurcation of the embedded prepayment option in accordance with Section 3855. We decreased the deferred income tax liability by \$2.6 and recorded a loss of \$5.3 to opening deficit. On January 1, 2007, we redesignated a new hedging relationship which qualified for fair value hedge accounting in accordance with Section 3865.

Embedded derivatives:

The prepayment options embedded in our Senior Subordinated Notes qualify as embedded derivatives which must be bifurcated for reporting in accordance with the new standards. As at January 1, 2007, we bifurcated the fair value of the embedded derivative asset of \$9.3 from the Notes. As a result of recording this asset, the amortized cost of long-term debt increased. We also recorded a cumulative adjustment of \$1.9 against the opening deficit. Any subsequent change in the fair value of the embedded derivatives will be recorded in operations.

Effective interest rate method:

We incurred underwriting commissions and expenses relating to our Senior Subordinated Notes offerings. The new standards require us to reclassify these costs as a reduction of the cost of the debt and to use the effective interest rate method to amortize the costs to operations. As at January 1, 2007, we reclassified \$10.3 of

unamortized costs from other assets to long-term debt and recorded an adjustment to reflect the balance had we used the effective interest rate method from inception. This resulted in a \$1.2 increase in unamortized debt issue costs, a decrease of \$0.8 in opening deficit and an increase of \$0.4 in deferred income tax liability.

As a result of adopting the new standards for 2007, interest expense on long-term debt decreased by \$0.6.

(2) Accounting changes:

In January 2007, we adopted CICA Handbook Section 1506, "Accounting changes," which requires that voluntary changes in accounting policy be made only if the changes result in financial statements that provide reliable and more relevant information. It also requires that prior period errors be corrected retrospectively. The adoption of this standard did not impact our consolidated financial statements.

(t) Recently issued accounting pronouncements:

Inventories:

In June 2007, the CICA issued Section 3031, "Inventories," which requires inventory to be measured at the lower of cost and net realizable value. The standard provides guidance on the types of costs that can be capitalized and requires the reversal of previous inventory write-downs if economic circumstances have changed to support higher inventory values. The standard is effective for 2008. Commencing in the first quarter of 2008, we are required to disclose any inventory write-downs or reversals each quarter. We do not expect the adoption of this standard will have a material impact on our consolidated financial statements.

Financial instruments and capital disclosure:

In December 2006, the CICA issued 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 CICA also issued Section 1535, "Capital disclosures," which provides guidance for disclosing information about an entity's capital and how it manages its capital. These standards are effective for 2008. We are currently evaluating the impact of adopting these standards on our consolidated financial statements.

3. ACQUISITIONS AND DIVESTITURES:

2005 Business combinations:

In 2005, we completed the acquisitions of CoreSim Inc. (a design services company in Canada), Ramnish Electronics Private Limited (an EMS provider in India) and Displaytronix Inc. (a repair services company in the United States). The total aggregate cash purchase price for these acquisitions was \$6.5, including indebtedness assumed. The final amounts allocated to goodwill and intangible assets, primarily intellectual property, arising from these acquisitions were \$1.9 and \$5.4, respectively.

2006 Asset acquisition:

In March 2006, we acquired certain assets located in the Philippines from Powerwave Technologies, Inc. for a cash purchase price of \$19.1. Amortizable intangible assets arising from this acquisition were \$7.6, primarily for customer relationships and contract intangibles.

2006 Divestiture:

In June 2006, we sold our plastics business for net cash proceeds of \$18.5. Our plastics business was located primarily in Asia. We reported a loss on sale of \$33.2 which we recorded as other charges (see note 11). This loss included \$20.0 in goodwill allocated to the plastics business. As part of the sale agreement, we provided routine

indemnities to the purchaser that management believes will not have a material adverse impact on our results of operations, financial position or liquidity.

Integration costs related to acquisitions:

We incur integration costs relating to the establishment of business processes, infrastructure and information systems for acquired operations. None of the integration costs incurred related to existing operations.

4. PROPERTY, PLANT AND EQUIPMENT:

| | 2006 | | |
|----------------------------------|------------|--------------------------|----------------|
| | Cost | Accumulated Amortization | Net Book Value |
| Land | \$ 39.2 | \$ — | \$ 39.2 |
| Buildings | 188.6 | 33.4 | 155.2 |
| Buildings/leasehold improvements | 78.9 | 44.6 | 34.3 |
| Office equipment | 46.7 | 36.1 | 10.6 |
| Machinery and equipment | 743.7 | 498.9 | 244.8 |
| Software | 303.4 | 233.9 | 69.5 |
| | \$ 1,400.5 | \$ 846.9 | \$ 553.6 |
| | \$ 1,400.5 | \$ 846.9 | \$ 553.6 |
| | 2007 | | |
| | Cost | Accumulated Amortization | Net Book Value |
| Land | \$ 39.7 | \$ — | \$ 39.7 |
| Buildings | 197.1 | 42.0 | 155.1 |
| Buildings/leasehold improvements | 84.4 | 56.1 | 28.3 |
| Office equipment | 39.0 | 32.9 | 6.1 |
| Machinery and equipment | 694.2 | 505.0 | 189.2 |
| Software | 314.0 | 266.4 | 47.6 |
| | \$ 1,368.4 | \$ 902.4 | \$ 466.0 |
| | \$ 1,368.4 | \$ 902.4 | \$ 466.0 |

As of December 31, 2007, we have \$25.4 (2006 — \$4.9) of assets that are available-for-sale, primarily land and buildings, as a result of the restructuring actions we implemented. We have programs underway to sell these assets.

Property, plant and equipment includes \$12.5 (2006 — \$18.0) of assets under capital lease and accumulated depreciation of \$11.8 (2006 — \$16.4) related thereto.

Depreciation and rental expense for 2007 was \$106.1 (2006 — \$103.2; 2005 — \$120.5) and \$55.9 (2006 — \$66.5; 2005 — \$66.4), respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in millions of U.S. dollars)

5. GOODWILL FROM BUSINESS COMBINATIONS AND INTANGIBLE ASSETS:

Goodwill from business combinations:

The following table details the changes in goodwill:

| | Asia |
|-------------------------------|----------|
| Balance December 31, 2005 | \$ 874.5 |
| Post-closing adjustment | 0.3 |
| Divestitures (a) | (20.0) |
| Balance December 31, 2006 (b) | 854.8 |
| Acquisition adjustment (c) | (4.3) |
| Balance December 31, 2007 (b) | \$ 850.5 |

(a) In June 2006, we sold our plastics business which included goodwill of \$20.0. See note 3.

(b) All goodwill is allocated to our Asia reporting unit.

(c) In 2007, we reduced goodwill by \$4.3 resulting from a decrease in the tax liabilities relating to a previous acquisition.

Intangible assets:

| | 2006 | | |
|-------------------------|----------|-----------------------------|-------------------|
| | Cost | Accumulated Amortization | Net Book Value |
| Intellectual property | \$ 133.6 | \$ 129.8 | \$ 3.8 |
| Other intangible assets | 204.3 | 148.0 | 56.3 |
| | \$ 337.9 | \$ 277.8 | \$ 60.1 |
| | 2007 | | |
| | Cost | Accumulated Amortization | Net Book Value |
| Intellectual property | \$ 119.6 | \$ 117.9 | \$ 1.7 |
| Other intangible assets | 201.1 | 167.6 | 33.5 |
| | \$ 320.7 | \$ 285.5 | \$ 35.2 |

The following table details the changes in intangible assets:

| | Intellectual Property | Other Intangible Assets | Total |
|------------------------------|--------------------------|-------------------------------|---------|
| Balance December 31, 2005 | \$ 10.7 | \$ 68.3 | \$ 79.0 |
| Amortization | (7.0) | (20.0) | (27.0) |
| Acquisitions (i) | 0.1 | 8.8 | 8.9 |
| Impairment (ii) | — | (0.8) | (0.8) |
| Balance December 31, 2006 | 3.8 | 56.3 | 60.1 |
| Amortization | (2.1) | (19.2) | (21.3) |
| Acquisition adjustment (iii) | — | (3.2) | (3.2) |
| Impairment (iv) | — | (0.4) | (0.4) |
| Balance December 31, 2007 | \$ 1.7 | \$ 33.5 | \$ 35.2 |

- (i) Intangible assets increased during 2006 due to acquisitions. See note 3.
- (ii) In 2006, we recorded an impairment charge under restructuring of \$0.8 to write down other intangible assets in Europe. The impairment was measured as the excess of the carrying amount over the fair value of the assets determined on a discounted cash flow basis. We did not identify any additional impairment to other intangible assets as a result of our annual recoverability review of long-lived assets in the fourth quarter of 2006.
- (iii) In 2007, we reduced intangible assets by \$3.2 resulting from a decrease in the tax liabilities relating to a previous acquisition.
- (iv) As we finalized our 2008 plan, and in connection with the annual recoverability review of long-lived assets in the fourth quarter of 2007, we recorded an impairment charge of \$0.4 to write down other intangible assets in the Americas. The impairment was measured as the excess of the carrying amount over the fair value of the assets determined on a discounted cash flow basis.

Amortization expense is as follows:

| | Year ended December 31 | | |
|---|------------------------|---------|---------|
| | 2005 | 2006 | 2007 |
| Amortization of intellectual property | \$ 7.3 | \$ 7.0 | \$ 2.1 |
| Amortization of other intangible assets | 21.1 | 20.0 | 19.2 |
| | \$ 28.4 | \$ 27.0 | \$ 21.3 |

We estimate our future amortization expense as follows, based on the existing intangible asset balances:

| | |
|------|---------|
| 2008 | \$ 15.3 |
| 2009 | 9.3 |
| 2010 | 6.8 |
| 2011 | 3.8 |
| | \$ 35.2 |

6. OTHER ASSETS:

| | 2006 | 2007 |
|---|----------------|-----------------|
| Deferred pension (note 14) | \$ 64.6 | \$ 88.4 |
| Land rights | 13.5 | 13.1 |
| Fair value of interest rate swaps (note 15) | — | 8.7 |
| Deferred financing fees (i) | 11.3 | 1.0 |
| Deferred income taxes (note 12) | 1.8 | 2.2 |
| Other | 5.8 | 5.8 |
| | <u>\$ 97.0</u> | <u>\$ 119.2</u> |

(i) Effective January 1, 2007, the unamortized portion of debt issue costs of \$10.3 was reclassified from other assets to long-term debt (see notes 2(s)(1) and 7). Amortization of deferred financing costs for 2007 was \$1.4 (2006 — \$4.0; 2005 — \$3.8).

7. LONG-TERM DEBT:

| | 2006 | 2007 |
|---|-----------------|-----------------|
| Secured, revolving credit facility due 2009 (a) | \$ — | \$ — |
| Senior Subordinated Notes due 2011 (b) | 500.0 | 500.0 |
| Senior Subordinated Notes due 2013 (c) | 250.0 | 250.0 |
| Embedded prepayment option at fair value (d) | — | (6.5) |
| Basis adjustments on debt obligation (d) | — | 6.5 |
| Unamortized debt issue costs (b)(c) | — | (9.6) |
| Fair value adjustment of 2011 Notes attributable to interest rate risks (d) | — | 17.9 |
| | <u>750.0</u> | <u>758.3</u> |
| Capital lease obligations | 0.8 | 0.2 |
| | <u>750.8</u> | <u>758.5</u> |
| Less current portion | 0.6 | 0.2 |
| | <u>\$ 750.2</u> | <u>\$ 758.3</u> |

(a) In April 2007, we renegotiated the terms of our revolving credit facility and reduced the amount available from \$600.0 to \$300.0. We also extended the maturity from June 2007 to April 2009. Under the terms of the extension, we have pledged certain assets, including the shares of certain North American subsidiaries, as security. The facility includes a \$25.0 swing-line facility that provides for short-term borrowings up to a maximum of seven days. The credit facility permits us and certain designated subsidiaries to borrow funds for general corporate purposes (including acquisitions). 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. Commitment fees for 2007 were \$2.3.

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. A change of control is an event of default. Based on the required financial ratios at December 31, 2007, we have approximately \$240 of available credit under this facility. We were in compliance with all covenants at December 31, 2007.

We also have uncommitted bank overdraft facilities available for operating requirements. At December 31, 2007, we had \$49.5 of available credit under these facilities. There were no borrowings outstanding under these facilities.

(b) In June 2004, we issued Senior Subordinated Notes due 2011 with an aggregate principal amount of \$500.0 and a fixed interest rate of 7.875%. We incurred \$12.0 in underwriting commissions and expenses which we deferred and are amortizing over the term of the debt using the effective interest rate method. The 2011 Notes are unsecured and are subordinated in right of payment to all our senior debt. We may redeem the 2011 Notes on July 1, 2008 or later at various premiums above face value.

In connection with the 2011 Notes offering, we entered into agreements to swap the fixed interest rate for a variable interest rate based on LIBOR plus a margin. The average interest rate on the 2011 Notes was 8.3% for 2007 (2006 — 8.2%).

(c) In June 2005, we issued Senior Subordinated Notes due 2013 with an aggregate principal amount of \$250.0 and a fixed interest rate of 7.625%. We incurred \$4.2 in underwriting commissions and expenses which we deferred and are amortizing over the term of the debt using the effective interest rate method. The 2013 Notes are unsecured and are subordinated in right of payment to all our senior debt. We may redeem the 2013 Notes on July 1, 2009 or later at various premiums above face value.

(d) The prepayment options in the Notes qualify as embedded derivatives that must be bifurcated for reporting under the new financial instruments standards. As of December 31, 2007, the fair value of the embedded derivative asset is \$6.5 and is recorded with long-term debt. The increase in the fair value of the embedded derivative asset of \$0.9 for 2007 is recorded as a reduction of interest expense on long-term debt. As a result of bifurcating the prepayment option from the 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 for 2007 of \$1.0 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 \$17.9 for 2007, which increased interest expense on long-term debt.

As at December 31, 2007, principal repayments due within each of the next five years on all long-term debt are as follows:

| | | |
|------------|----|-------|
| 2008 | \$ | 0.2 |
| 2009 | | — |
| 2010 | | — |
| 2011 | | 500.0 |
| 2012 | | — |
| Thereafter | | 250.0 |
| | \$ | 750.2 |

8. CONVERTIBLE DEBT:

In August 2000, we issued LYONs with a principal amount at maturity of \$1,813.6, payable August 1, 2020. We received gross proceeds of \$862.9. No interest was payable on the LYONs. Pursuant to Canadian GAAP, the LYONs were bifurcated into a principal component and an option component. The principal component was recorded as debt and the option component was recorded as equity. The principal component was accreted over the 20-year term through periodic charges to expense. The LYONs could have been converted at the option of the holder into 5.6748 subordinate voting shares for each one thousand dollars principal amount at maturity. No LYONs were converted into subordinate voting shares. Holders had the right to require us to repurchase all, or a portion of their LYONs and we had the right to redeem the LYONs at any time on or after August 1, 2005.

During the third quarter of 2005, we repurchased the remaining outstanding LYONs for a total of \$352.0 in cash. In 2005, we recognized a \$25.2 loss on the option component which we recorded in deficit and a \$13.9 gain on the principal component which we recorded in other charges. See note 11.

9. CAPITAL STOCK:

(a) Authorized:

We are authorized to issue an unlimited number of subordinate voting shares (SVS), which entitle the holder to one vote per share, and an unlimited number of multiple voting shares (MVS), which entitle the holder to 25 votes per share. Except as otherwise required by law, the SVS and MVS vote together as a single class on all matters submitted to a vote of shareholders, including the election of directors. The holders of the SVS and MVS are entitled to share ratably, as a single class, in any dividends declared subject to any preferential rights of any outstanding preferred shares in respect of the payment of dividends. Each MVS is convertible at any time at the option of the holder thereof and automatically, under certain circumstances, into one SVS. We are also authorized to issue an unlimited number of preferred shares, issuable in series.

(b) Issued and outstanding:

| Number of Shares (in millions) | SVS | MVS | Total SVS and MVS outstanding | Warrants |
|--------------------------------|-------|------|-------------------------------|----------|
| Balance December 31, 2005 | 196.7 | 29.6 | 226.3 | 1.1 |
| Other share issuances (i) | 1.5 | — | 1.5 | — |
| Balance December 31, 2006 | 198.2 | 29.6 | 227.8 | 1.1 |
| Other share issuances (ii) | 1.0 | — | 1.0 | — |
| Other (iii) | — | — | — | (0.7) |
| Balance December 31, 2007 | 199.2 | 29.6 | 228.8 | 0.4 |

| Amount | SVS | MVS | Total SVS and MVS outstanding | Warrants |
|----------------------------|------------|----------|-------------------------------|----------|
| Balance December 31, 2005 | \$ 3,456.9 | \$ 105.4 | \$ 3,562.3 | \$ 8.4 |
| Other share issuances (i) | 14.3 | — | 14.3 | — |
| Balance December 31, 2006 | 3,471.2 | 105.4 | 3,576.6 | 8.4 |
| Other share issuances (ii) | 8.6 | — | 8.6 | — |
| Other (iii) | — | — | — | (5.3) |
| Balance December 31, 2007 | \$ 3,479.8 | \$ 105.4 | \$ 3,585.2 | \$ 3.1 |

2006 Capital transactions:

- (i) During 2006, we issued 1.0 million SVS as a result of the exercise of employee stock options for \$5.3 and we issued 0.5 million SVS for \$9.0 upon the vesting of restricted share units.

2007 Capital transactions:

- (ii) During 2007, we issued 0.7 million SVS as a result of the exercise of employee stock options for \$3.5 and we issued 0.3 million SVS for \$5.1 upon the vesting of restricted share units.
- (iii) During 2007, we cancelled certain warrants with an ascribed value of \$5.3.

Long-Term Incentives:

Long-Term Incentive Plan (LTIP):

Under the LTIP, we may grant stock options, performance options, performance share units and stock appreciation rights to eligible employees, executives and consultants. Under the LTIP, up to 29.0 million SVS may be issued from treasury.

Share Unit Plan (SUP):

Under the SUP, we may grant restricted share units and performance share units to eligible employees. Under the SUP, we will satisfy the delivery of the share units by purchasing SVS in the open market or by cash, rather than issuing SVS from treasury.

(c) Stock option plans:

(i) Long-Term Incentive Plan:

We have granted stock options and performance options as part of our LTIP. Options are granted at prices equal to the market value on the day prior to the date of the grant and are exercisable during a period not to exceed 10 years from the grant date.

(ii) Employee Share Purchase and Option Plans (ESPO):

We have ESPO plans that were available to certain employees and executives. No further options may be issued under the ESPO plans. Pursuant to the ESPO plans, our employees and executives were offered the opportunity to purchase, at prices equal to market value, SVS and, in connection with such purchase, receive options to acquire an additional number of SVS based on the number of SVS acquired by them under the ESPO plans. The exercise price for the options is equal to the price per share paid for the corresponding SVS acquired under the ESPO plans.

(iii) Stock option exchange program:

As part of restructuring our long-term incentive arrangements to provide a more effective program and to reduce the number of options outstanding as a percentage of shares outstanding, we cancelled 6.8 million options during the third quarter of 2005 for an aggregate cost of \$6.8 as part of an option exchange program. All employees, other than certain executives, were eligible to participate. Eligible employees forfeited certain out-of-the-money options for \$1.00 in cash for each option surrendered. We recorded compensation expense of \$3.9 to cost of sales and \$2.9 to SG&A in the third quarter of 2005. Future compensation expense was not impacted as all repurchased options were granted prior to January 1, 2003. We paid \$5.6 in cash in the third quarter of 2005. The balance was accrued and will be paid out at the end of three years, in accordance with the plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in millions of U.S. dollars)

Stock option transactions were as follows:

| Number of Options (in millions) | Shares | Weighted Average Exercise Price |
|---|--------|---------------------------------|
| Outstanding at December 31, 2004 | 25.7 | \$ 27.92 |
| Granted | 0.4 | \$ 12.43 |
| Exercised | (1.3) | \$ 5.31 |
| Cancelled (including option exchange cancellations) | (10.3) | \$ 45.86 |
| Outstanding at December 31, 2005 | 14.5 | \$ 21.73 |
| Granted | 1.8 | \$ 9.96 |
| Exercised | (1.0) | \$ 5.60 |
| Cancelled | (3.8) | \$ 23.63 |
| Outstanding at December 31, 2006 | 11.5 | \$ 20.62 |
| Granted | 2.7 | \$ 6.42 |
| Exercised | (0.7) | \$ 4.99 |
| Cancelled | (5.3) | \$ 27.25 |
| Outstanding at December 31, 2007 | 8.2 | \$ 15.58 |
| Shares reserved for issuance upon exercise of stock options or awards (in millions) | 27.5 | |

The following options were outstanding as at December 31, 2007:

| Plan | Range of Exercise Prices | Outstanding Options | Weighted Average Exercise Price | Weighted Average Remaining Life of Outstanding Options | Exercisable Options | Weighted Average Exercise Price |
|-------|--------------------------|---------------------|---------------------------------|--|---------------------|---------------------------------|
| | | (in millions) | | (years) | (in millions) | |
| ESPO | \$ 7.50 | 0.1 | \$ 7.50 | 0.2 | 0.1 | \$ 7.50 |
| LTIP | \$ 5.47 - \$ 6.70 | 1.7 | \$ 6.06 | 9.2 | — | — |
| | \$ 6.99 - \$10.15 | 1.8 | \$ 8.31 | 7.0 | 0.5 | \$ 9.13 |
| | \$10.62 - \$14.90 | 0.8 | \$ 12.88 | 6.8 | 0.5 | \$ 13.31 |
| | \$15.13 - \$18.66 | 1.7 | \$ 17.74 | 5.8 | 1.4 | \$ 17.85 |
| | \$18.73 - \$25.49 | 0.8 | \$ 22.22 | 4.3 | 0.7 | \$ 22.14 |
| | \$25.75 - \$86.97 | 0.9 | \$ 41.06 | 4.0 | 0.9 | \$ 41.06 |
| MSL | \$ 8.37 - \$13.33 | 0.1 | \$ 12.13 | 4.1 | 0.1 | \$ 12.13 |
| | \$13.52 - \$17.67 | 0.1 | \$ 13.75 | 4.5 | 0.1 | \$ 13.75 |
| | \$19.73 - \$58.00 | 0.1 | \$ 22.69 | 3.0 | 0.1 | \$ 22.69 |
| Other | \$ 3.75 - \$13.31 | 0.1 | \$ 8.12 | 0.6 | 0.1 | \$ 8.12 |
| | | 8.2 | | | 4.5 | |

We have granted stock options and performance options as part of our LTIP. We have applied the fair-value method of accounting for stock option awards granted after January 1, 2003 and, accordingly, have recorded compensation expense. Prior to January 1, 2003, we accounted for stock option awards using the settlement method and no compensation expense was recognized. For awards granted in 2002, we have disclosed the pro forma earnings and per share information as if we had accounted for employee stock options under the fair-value method. We are not required to apply the pro forma impact of awards granted prior to January 1, 2002.

The estimated fair value of the options is amortized to expense over the vesting period of three to four years, on a straight-line basis, and was determined using the Black-Scholes option pricing model with the following weighted average assumptions:

| | Year ended December 31 | | |
|--|------------------------|-------------|-------------|
| | 2005 | 2006 | 2007 |
| Risk-free rate | 3.5% - 4.4% | 4.5% - 5.0% | 3.6% - 4.8% |
| Dividend yield | 0.0% | 0.0% | 0.0% |
| Volatility factor of the expected market price of our shares | 48% - 68% | 34% - 65% | 35% - 52% |
| Expected option life (in years) | 3.5 - 5.5 | 3.5 - 5.5 | 4.0 - 5.5 |
| Weighted-average fair value of options granted | \$6.54 | \$5.55 | \$2.57 |

For 2007, we expensed \$7.0 (2006 — \$5.1; 2005 — \$9.0) relating to the fair value of options granted after January 1, 2003.

The pro forma disclosure relating to options granted in 2002 is as follows:

| | Year ended December 31 | | |
|--|------------------------|------------|-----------|
| | 2005 | 2006 | 2007 |
| Net loss as reported | \$ (46.8) | \$ (150.6) | \$ (13.7) |
| Deduct: Stock-based compensation costs using fair-value method | (7.4) | (4.1) | — |
| Pro forma net loss | \$ (54.2) | \$ (154.7) | \$ (13.7) |
| Loss per share: | | | |
| Basic — as reported | \$ (0.21) | \$ (0.66) | \$ (0.06) |
| Basic — pro forma | \$ (0.24) | \$ (0.68) | \$ (0.06) |
| Diluted — as reported | \$ (0.21) | \$ (0.66) | \$ (0.06) |
| Diluted — pro forma | \$ (0.24) | \$ (0.68) | \$ (0.06) |

All of the 2002 option grants were fully vested by the end of 2006 and, therefore, do not impact our 2007 pro forma disclosure.

(d) Restricted share units and performance share units:

We have granted restricted share units (RSUs) and performance share units (PSUs) as part of our LTIP and SUP. These grants generally entitle the holder to receive one SVS or, at our discretion, the cash equivalent of the market value of a share at the date of vesting. The grant date fair value of RSUs and PSUs is amortized to expense over the vesting period on a straight-line basis. The weighted-average grant date fair value of these share units for 2007 was \$6.10 (2006 — \$10.00; 2005 — \$12.45). A total of \$6.2 has been recognized in cost of sales and SG&A expenses in 2007 (2006 — \$10.9; 2005 — \$10.8) for RSUs and PSUs.

RSUs completely vest at the end of the term, which is generally three years. PSUs vest at the end of the term, generally three years, to the extent that performance conditions have been met.

| Number of RSUs and PSUs (in millions) | RSUs | Vested | PSUs | Vested |
|---------------------------------------|-------|--------|-------|--------|
| Outstanding at December 31, 2005 | 1.9 | 0.1 | 0.7 | — |
| Granted | 1.0 | | 1.6 | |
| Cancelled | (0.2) | | (0.3) | |
| Exercised | (0.6) | | — | |
| Outstanding at December 31, 2006 | 2.1 | 0.1 | 2.0 | — |
| Granted | 1.6 | | 0.8 | |
| Cancelled | (0.5) | | (1.0) | |
| Exercised | (0.8) | | — | |
| Outstanding at December 31, 2007 | 2.4 | — | 1.8 | — |

(e) **Warrants:**

In connection with the Manufacturer's Services Limited (MSL) acquisition in 2004, we issued Series A and Series B warrants to replace the outstanding MSL warrants. The Series B warrants are fully vested and exercisable at any time through July 3, 2008 at an exercise price of \$16.73 per share. We have the right to require holders to exercise their warrants if our SVS trade at 175% of the exercise price of the warrants during a specified period. The Series A warrants expired in 2007.

10. ACCUMULATED OTHER COMPREHENSIVE INCOME, NET OF TAX:

| | Year ended December 31 2007 |
|--|-----------------------------------|
| Opening balance of foreign currency translation account | \$ — |
| Transitional adjustment — January 1, 2007 | 26.5 |
| Foreign currency translation gain | 8.7 |
| Closing balance | 35.2 |
| Opening balance of unrealized net gain on cash flow hedges | — |
| Transitional adjustment — January 1, 2007 | \$ (0.5) |
| Net gain on cash flow hedges (i) | 37.5 |
| Net gain on cash flow hedges reclassified to operations (ii) | (16.3) |
| Closing balance (iii) | 20.7 |
| Accumulated other comprehensive income | \$ 55.9 |

- (i) Net of income tax expense of \$0.2 for 2007.
- (ii) No income tax impact for 2007.
- (iii) Net of income tax expense of \$0.2 as of December 31, 2007.

We expect that \$20.7 of net pre-tax gains (\$20.5 after tax) on cash flow hedges, that are reported in 2007 in accumulated other comprehensive income, will be reclassified to operations during 2008.

11. OTHER CHARGES:

| | Year ended December 31 | | |
|---|------------------------|-----------------|----------------|
| | 2005 | 2006 | 2007 |
| 2001 to 2004 restructuring (a) | \$ 20.8 | \$ 3.6 | \$ 4.6 |
| 2005 to 2008 restructuring (b) | 139.3 | 174.5 | 32.7 |
| Total restructuring | 160.1 | 178.1 | 37.3 |
| Long-lived asset impairment (c) | 1.6 | 1.4 | 15.1 |
| Other (d) | (16.9) | (0.9) | (4.8) |
| Loss on sale of operations (note 3) | — | 33.2 | — |
| Gain on repurchase of convertible debt (note 8) | (13.9) | — | — |
| Total | \$ 130.9 | \$ 211.8 | \$ 47.6 |

(a) 2001 to 2004 restructuring:

In 2001, we announced a restructuring plan in response to the weak end-markets in the 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. Approximately 24,000 employees have been terminated under these plans. Approximately 70% of the employee terminations were in the Americas, 25% in Europe and 5% in Asia. For leased facilities that were no longer used, the lease costs included in the restructuring costs represent future lease payments less estimated sublease recoveries. Adjustments 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 recorded non-cash charges to write-down certain long-lived assets (75% in Americas, 15% in Europe and 10% in Asia) which became impaired as a result of the rationalization of facilities.

Details of the activity through the accrued restructuring liability and the non-cash charge are as follows:

| | Employee termination costs | Lease and other contractual obligations | Facility exit costs and other | Total accrued liability | Non-cash charge | Total charge |
|---------------------------|-------------------------------|--|----------------------------------|----------------------------|-----------------|--------------|
| January 1, 2001 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| Provision re: 2001 | 90.7 | 35.3 | 12.4 | 138.4 | 98.6 | 237.0 |
| Cash payments | (51.2) | (1.6) | (2.9) | (55.7) | — | — |
| December 31, 2001 | 39.5 | 33.7 | 9.5 | 82.7 | 98.6 | 237.0 |
| Provision re: 2002 | 128.8 | 51.7 | 8.5 | 189.0 | 194.5 | 383.5 |
| Cash payments | (77.1) | (14.7) | (7.5) | (99.3) | — | — |
| Adjustments | (4.1) | 11.4 | (2.7) | 4.6 | (2.7) | 1.9 |
| December 31, 2002 | 87.1 | 82.1 | 7.8 | 177.0 | 290.4 | 622.4 |
| Provision re: 2003 | 61.4 | 0.3 | 1.1 | 62.8 | 8.5 | 71.3 |
| Cash payments | (112.0) | (44.4) | (8.9) | (165.3) | — | — |
| Adjustments | 7.4 | 24.1 | 2.9 | 34.4 | (10.8) | 23.6 |
| December 31, 2003 | 43.9 | 62.1 | 2.9 | 108.9 | 288.1 | 717.3 |
| Provision re: 2004 | 98.6 | 8.7 | 5.9 | 113.2 | 33.9 | 147.1 |
| Cash payments | (110.6) | (32.0) | (4.1) | (146.7) | — | — |
| Adjustments | 2.7 | 2.2 | 0.3 | 5.2 | 1.4 | 6.6 |
| December 31, 2004 | 34.6 | 41.0 | 5.0 | 80.6 | 323.4 | 871.0 |
| Cash payments | (31.9) | (11.5) | (4.6) | (48.0) | — | — |
| Adjustments | 8.7 | 6.2 | 0.6 | 15.5 | 5.3 | 20.8 |
| December 31, 2005 | 11.4 | 35.7 | 1.0 | 48.1 | 328.7 | 891.8 |
| Cash payments | (3.6) | (9.7) | — | (13.3) | — | — |
| Adjustments | 0.3 | 3.3 | — | 3.6 | — | 3.6 |
| Settlement (see 11(b)(i)) | (7.7) | — | — | (7.7) | — | — |
| December 31, 2006 | 0.4 | 29.3 | 1.0 | 30.7 | 328.7 | 895.4 |
| Cash payments | (0.2) | (8.3) | — | (8.5) | — | — |
| Adjustments | (0.2) | 5.8 | (1.0) | 4.6 | — | 4.6 |
| December 31, 2007 | \$ — | \$ 26.8 | \$ — | \$ 26.8 | \$ 328.7 | \$ 900.0 |

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.

(b) 2005 to 2008 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 management required to achieve sustainable profitability. We expected to complete these restructuring actions by the end of 2006.

However, in light of our operating results in 2006 and in the course of preparing our 2007 plan in the fourth quarter of 2006, we identified additional restructuring actions to improve our profitability. These restructuring actions included additional downsizing of workforces to reflect the volume reductions at certain facilities and reducing overhead costs. We estimated the additional restructuring charges to be between \$60 and \$80 to be

recorded in the fourth quarter of 2006 and in 2007. We expected to complete these actions in 2007. Of these restructuring charges, we recorded approximately \$40 in the fourth quarter of 2006 and \$37.3 in 2007.

As of December 31, 2007, we have recorded aggregate termination costs, incurred since 2005, relating to approximately 8,200 employees, primarily operations and plant employees. Approximately 7,600 of these employees have been terminated as of December 31, 2007 with the balance of the terminations to occur by the end of 2008. Approximately 60% of employee terminations are 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. As of December 31, 2007, we recorded non-cash charges totaling \$58.7, comprised of the loss on sale in Europe of \$40.3 (see note 11(b)(i)) and the write-down of certain long-lived assets (50% in Europe and 50% in the Americas) which became impaired as a result of the rationalization of facilities.

In the course of preparing our 2008 plan in the fourth quarter of 2007, we determined that additional restructuring actions should be undertaken in order to drive further operational improvements throughout our manufacturing network. These restructuring actions will further reduce our workforce and will include the closure of certain facilities. We plan to consolidate the programs from these closed facilities 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 fewer and more cost-competitive facilities. When the detailed plans of these restructuring actions are finalized, which we expect will occur in early to mid-2008, we will recognize the related charges. We estimate the additional restructuring charges will be in the range of \$50 to \$75 which we expect to be recorded in 2008. We expect to complete these actions by mid-2009.

Details of the activity through the accrued restructuring liability and the non-cash charge are as follows:

| | Employee termination costs | Lease and other contractual obligations | Facility exit costs and other | Total accrued liability | Non-cash charge | Total charge |
|---------------------------|-------------------------------|--|----------------------------------|----------------------------|-----------------|--------------|
| January 1, 2005 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| Provision | 114.0 | 14.5 | 5.1 | 133.6 | 5.7 | 139.3 |
| Cash payments | (74.7) | (1.2) | (4.4) | (80.3) | — | — |
| December 31, 2005 | 39.3 | 13.3 | 0.7 | 53.3 | 5.7 | 139.3 |
| Provision | 114.9 | 5.8 | 5.9 | 126.6 | 47.9 | 174.5 |
| Cash payments | (86.2) | (7.0) | (6.1) | (99.3) | — | — |
| Settlement (see 11(b)(i)) | (15.5) | — | — | (15.5) | — | — |
| December 31, 2006 | 52.5 | 12.1 | 0.5 | 65.1 | 53.6 | 313.8 |
| Provision | 20.9 | 2.8 | 3.9 | 27.6 | 5.1 | 32.7 |
| Cash payments | (64.4) | (5.2) | (3.8) | (73.4) | — | — |
| December 31, 2007 | \$ 9.0 | \$ 9.7 | \$ 0.6 | \$ 19.3 | \$ 58.7 | \$ 346.5 |

The restructuring liability is recorded in accrued liabilities.

- (i) In September 2006, we sold one of our production facilities in Europe to a third party as part of our restructuring program. We reported a total of \$61.2 in other charges with respect to this facility, comprised of incremental employee termination and transaction closing costs totaling \$20.9 and a non-cash loss of \$40.3. The purchaser agreed to retain all employees, thereby significantly reducing our contractual severance obligations. As part of the agreement, the purchaser assumed liabilities which we previously recorded as accruals for employee termination costs under the 2005 to 2008 restructuring plan of \$15.5 and under our 2001 to 2004 restructuring plan of \$7.7 (see note 11(a)).

In connection with the sale, we provided indemnities to the purchaser which management believes will not have a material adverse impact on our operations, financial position or liquidity. We received the final post-closing cash in the first quarter of 2007 and we repaid \$4.0 to the purchaser which we were holding in escrow.

Restructuring summary:

We previously announced that we would incur restructuring charges of between \$20 and \$40 for 2007. In 2007, we recorded restructuring charges of \$37.3. In January 2008, we announced that we would incur additional restructuring charges of between \$50 and \$75 in 2008 to complete our planned restructuring actions and further reduce fixed costs and overhead expenses. We expect to complete these restructuring actions by mid-2009.

(c) Long-lived asset impairment:

In 2005, we recorded a non-cash impairment charge of \$1.6 against property, plant and equipment and customer relationship intangibles, principally in the Americas and Europe. In 2006, we recorded a non-cash impairment charge of \$1.4 against property, plant and equipment in the Americas. In 2007, we recorded a non-cash impairment charge of \$15.1 primarily against property, plant and equipment in the Americas and Europe.

(d) Other:

In 2004, we recorded a write down in other charges to reduce the net realizable value of certain assets for one customer which ceased operations in 2005. The amounts in 2005, 2006 and 2007 primarily reflect additional recoveries realized.

12. INCOME TAXES:

| | Year ended December 31 | | |
|--|------------------------|-------------------|----------------|
| | 2005 | 2006 | 2007 |
| Earnings (loss) before income tax: | | | |
| Canadian operations | \$ (171.9) | \$ (91.5) | \$ (143.2) |
| Foreign operations | 146.4 | (44.6) | 150.3 |
| | <u>\$ (25.5)</u> | <u>\$ (136.1)</u> | <u>\$ 7.1</u> |
| Current income tax expense (recovery): | | | |
| Canadian operations | \$ (11.5) | \$ (1.2) | \$ 15.6 |
| Foreign operations | 48.4 | (39.5) | (1.2) |
| | <u>\$ 36.9</u> | <u>\$ (40.7)</u> | <u>\$ 14.4</u> |
| Deferred income tax expense (recovery): | | | |
| Canadian operations | \$ (5.7) | \$ 57.8 | \$ 8.7 |
| Foreign operations | (9.9) | (2.6) | (2.3) |
| | <u>\$ (15.6)</u> | <u>\$ 55.2</u> | <u>\$ 6.4</u> |

The overall income tax provision differs from the provision computed at the statutory rate as follows:

| | Year ended December 31 | | |
|---|------------------------|-----------|---------|
| | 2005 | 2006 | 2007 |
| Combined Canadian federal and provincial income tax rate | 36.1% | 36.1% | 36.1% |
| Income tax expense (recovery) based on earnings or loss before income taxes at statutory rate | \$ (9.2) | \$ (49.1) | \$ 2.6 |
| Impact on income taxes from: | | | |
| Manufacturing and processing deduction | 3.6 | 1.6 | 5.2 |
| Foreign income taxed at lower rates | (65.8) | (50.2) | (92.4) |
| Unrealized foreign exchange on Canadian companies' loans | — | 73.5 | 47.8 |
| Other, including non-taxable and non-deductible items | 69.6 | 6.2 | 34.3 |
| Change in valuation allowance | 23.1 | 32.5 | 23.3 |
| Income tax expense | \$ 21.3 | \$ 14.5 | \$ 20.8 |

Deferred income tax assets and liabilities are recognized for future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases. Deferred income tax assets and liabilities are comprised of the following:

| | December 31 | |
|--|-------------|-----------|
| | 2006 | 2007 |
| Deferred income tax assets: | | |
| Income tax effect of operating losses carried forward | \$ 520.4 | \$ 557.2 |
| Accounting provisions not currently deductible | 61.1 | 69.9 |
| Property, plant and equipment, intangible and other assets | 55.5 | 61.5 |
| Share issue and debt issue costs | 0.4 | 0.1 |
| Restructuring accruals | 14.5 | 20.1 |
| | 651.9 | 708.8 |
| Valuation allowance | (565.5) | (588.8) |
| | 86.4 | 120.0 |
| Deferred income tax liabilities: | | |
| Deferred pension asset | (12.5) | (12.7) |
| Unrealized foreign exchange gains | (116.9) | (164.6) |
| | (129.4) | (177.3) |
| Deferred income tax liability, net | \$ (43.0) | \$ (57.3) |

In certain jurisdictions, we currently have significant operating losses and other deductible temporary differences that will reduce taxable income in these jurisdictions in future periods. We have determined that a valuation allowance of \$588.8 is required in respect of our deferred income tax assets as at December 31, 2007 (2006 — \$565.5).

In 2006, we recorded net deferred income tax liabilities relating to net unrealized foreign exchange gains in Canada. We determined during the fourth quarter of 2006 that certain foreign exchange losses accrued on Canadian assets may not be available to offset the unrealized foreign exchange gains accrued on Canadian liabilities. This was due to the potential timing of realization of foreign exchange gains and losses and/or

potential challenges that, more likely than not, would result in a lack of availability of the unrealized foreign exchange losses to offset the unrealized foreign exchange gains.

The aggregate amount of undistributed earnings of our foreign subsidiaries, for which no deferred income tax liability has been recorded, is \$539.7 as at December 31, 2007 (2006 — \$809.1). We intend to indefinitely re-invest income in these foreign subsidiaries.

We have been granted tax incentives, including tax holidays, for our China, Czech Republic, Malaysia, Philippines and Thailand subsidiaries. The tax benefit arising from these incentives is approximately \$45.0 or \$0.20 per diluted share for 2007, \$41.2 or \$0.18 per diluted share for 2006 and \$28.9 or \$0.13 per diluted share for 2005. These tax incentives expire between 2009 and 2015, and are subject to certain conditions with which we intend to comply.

As at December 31, 2007, we have operating loss carry forwards of \$2,395.6. A summary of the operating loss carry forwards by year of expiry is as follows:

| Year of Expiry | Amount |
|----------------|------------|
| 2008 | \$ 7.4 |
| 2009 | 13.0 |
| 2010 | 381.9 |
| 2011 | 168.9 |
| 2012 | 69.5 |
| 2013 | 25.4 |
| 2014 - 2027 | 1,018.9 |
| Indefinite | 710.6 |
| | \$ 2,395.6 |

See note 16 regarding income tax contingencies.

13. RELATED PARTY TRANSACTIONS:

In 2007, management fees of \$1.2 (2006 — \$1.0; 2005 — \$1.6) were charged by our parent company, based on the terms of a management agreement.

14. PENSION AND NON-PENSION POST-EMPLOYMENT BENEFIT PLANS:

We provide pension and non-pension post-employment benefit plans for our employees. Pension benefits include traditional pension plans as well as supplemental pension plans. Some employees in Canada, Japan, the United Kingdom and the Philippines participate in defined benefit plans. Defined contribution plans are offered to employees, mainly in Canada and the U.S.

We provide non-pension post-employment benefits (other benefit plans) to retired and terminated employees in Canada, the U.S., Mexico and Thailand. These benefits include one-time retirement and termination benefits, medical, surgical, hospitalization coverage, supplemental health, dental and group life insurance.

Our pension funding policy is to contribute amounts sufficient to meet minimum local statutory funding requirements that are based on actuarial calculations. We may make additional discretionary contributions based on actuarial assessments. Contributions made by us to support ongoing plan obligations have been included in the deferred asset or liability accounts on the balance sheet. The most recent statutory pension actuarial valuations were completed using measurement dates as of December 2005 and April 2007. The

measurement dates to be used for the next actuarial valuation for pensions will be December 2008 and April 2010.

We currently fund our non-pension post-employment benefit plans as we incur benefit payments. The most recent actuarial valuations for non-pension post-employment benefits were completed using measurement dates of May 2005 and January 2007. The measurement dates of the next actuarial valuations for non-pension post-employment benefits will be January 2008 and January 2009. We accrue the expected costs of providing non-pension post-employment benefits during the periods in which the employees render service.

The measurement date used for the accounting valuation for pension and non-pension post-employment benefits is December 31, 2007.

Pension fund assets are invested primarily in fixed income and equity securities. Asset allocation between fixed income and equity is adjusted based on the expected life of the plan and the expected retirement of the plan participants. Currently, the asset allocation allows for 38%-50% investment in fixed income and 48%-73% investment in equities through mutual funds, and 3%-6% in real estate/other investments. We employ passive investment approaches in our pension plan asset management strategy. Our pension funds do not invest directly in equities or derivative instruments. Our pension funds do not invest directly in our shares, but may invest indirectly as a result of the inclusion of our shares in certain market investment funds.

The table below presents the market value of the assets as follows:

| | Fair Market Value at December 31 | | Actual Asset Allocation (%) at December 31 | |
|-------------------------------|-------------------------------------|----------|---|------|
| | 2006 | 2007 | 2006 | 2007 |
| Equities through mutual funds | \$ 195.5 | \$ 205.2 | 51% | 48% |
| Fixed income | 164.3 | 198.1 | 43% | 46% |
| Other | 24.3 | 26.4 | 6% | 6% |
| Total | \$ 384.1 | \$ 429.7 | 100% | 100% |

The following tables provide a summary of the estimated financial position of our pension and non-pension post-employment benefit plans:

| | Pension Plans Year ended December 31 | | Other Benefit Plans Year ended December 31 | |
|--|---|----------|---|-------|
| | 2006 | 2007 | 2006 | 2007 |
| Plan assets, beginning of year | \$ 323.7 | \$ 384.1 | \$ — | \$ — |
| Employer contributions | 26.3 | 21.0 | 6.1 | 3.0 |
| Actual return on assets | 28.2 | 14.8 | — | — |
| Voluntary employee contributions | 0.5 | 0.2 | — | — |
| Plan Settlements | — | (0.6) | — | — |
| Benefits paid | (18.6) | (22.2) | (6.1) | (3.0) |
| Acquisitions/divestitures | 0.2 | — | — | — |
| Foreign currency exchange rate changes | 23.8 | 32.4 | — | — |
| Plan assets, end of year | \$ 384.1 | \$ 429.7 | \$ — | \$ — |

| | Pension Plans Year ended December 31 | | Other Benefit Plans Year ended December 31 | |
|---|---|-----------|---|-----------|
| | 2006 | 2007 | 2006 | 2007 |
| Projected benefit obligations, beginning of year | \$ 394.6 | \$ 456.7 | \$ 85.1 | \$ 67.1 |
| Service cost | 5.9 | 4.9 | 4.5 | 2.8 |
| Interest cost | 19.2 | 23.1 | 3.5 | 3.8 |
| Voluntary employee contributions | 0.5 | 0.2 | — | — |
| Actuarial losses (gains) | 22.8 | (23.1) | — | 1.7 |
| Plan amendments | — | — | — | 0.3 |
| Acquisitions/divestitures | 0.6 | — | (20.4) | — |
| Plan curtailments | — | (1.3) | 0.2 | (1.3) |
| Plan settlements | — | (0.6) | — | — |
| Benefits paid | (18.6) | (22.2) | (6.1) | (3.0) |
| Foreign currency exchange rate changes | 31.7 | 35.6 | 0.3 | 9.7 |
| Projected benefit obligations, end of year | \$ 456.7 | \$ 473.3 | \$ 67.1 | \$ 81.1 |
| Excess of projected benefit obligations over plan assets | \$ (72.6) | \$ (43.6) | \$ (67.1) | \$ (81.1) |
| Unrecognized actuarial losses | 134.1 | 123.7 | 28.7 | 33.3 |
| Unrecognized net transition obligation and prior service cost | (3.7) | (4.0) | (9.7) | (10.3) |
| Deferred (accrued) pension cost | \$ 57.8 | \$ 76.1 | \$ (48.1) | \$ (58.1) |

The following table reconciles the deferred (accrued) pension balances to that reported as of December 31, 2006 and 2007:

| | 2006 | | | 2007 | | |
|--|---------------|---------------------|-----------|---------------|---------------------|-----------|
| | Pension Plans | Other Benefit Plans | Total | Pension Plans | Other Benefit Plans | Total |
| Accrued pension and post-employment benefits | \$ (6.8) | \$ (48.1) | \$ (54.9) | \$ (12.3) | \$ (58.1) | \$ (70.4) |
| Deferred pension assets (note 6) | 64.6 | — | 64.6 | 88.4 | — | 88.4 |
| | \$ 57.8 | \$ (48.1) | \$ 9.7 | \$ 76.1 | \$ (58.1) | \$ 18.0 |

The following table outlines the net periodic benefit cost as follows:

| | Pension Plans Year ended December 31 | | | Other Benefit Plans Year ended December 31 | | |
|---|---|---------|---------|---|--------|--------|
| | 2005 | 2006 | 2007 | 2005 | 2006 | 2007 |
| Service cost | \$ 5.8 | \$ 5.9 | \$ 4.9 | \$ 7.3 | \$ 4.5 | \$ 2.8 |
| Interest cost | 18.1 | 19.2 | 23.1 | 3.3 | 3.5 | 3.8 |
| Expected return on assets | (17.8) | (19.5) | (22.7) | — | — | — |
| Net amortization of prior service cost | (0.2) | (0.1) | (0.1) | (0.4) | (0.8) | (0.8) |
| Net amortization of actuarial losses | 6.3 | 8.0 | 5.0 | 0.7 | 1.1 | 1.1 |
| Curtailment/settlement loss (gain) | 1.4 | 2.1 | (0.2) | (0.4) | 0.6 | (0.3) |
| | 13.6 | 15.6 | 10.0 | 10.5 | 8.9 | 6.6 |
| Defined contribution pension plan expense | 17.9 | 20.1 | 11.5 | — | — | — |
| Total expense for the year | \$ 31.5 | \$ 35.7 | \$ 21.5 | \$ 10.5 | \$ 8.9 | \$ 6.6 |

The following table outlines the actuarial assumption percentages as follows:

| | Pension Plans Year ended December 31 | | | Other Benefit Plans Year ended December 31 | | |
|--|---|------|------|---|------|------|
| | 2005 | 2006 | 2007 | 2005 | 2006 | 2007 |
| Weighted average discount rate for: | | | | | | |
| Projected benefit obligations | 4.7 | 5.0 | 5.4 | 5.3 | 5.5 | 5.6 |
| Net periodic benefit cost | 5.3 | 4.7 | 5.0 | 6.1 | 5.3 | 5.5 |
| Weighted average rate of compensation increase for: | | | | | | |
| Projected benefit obligations | 3.4 | 3.5 | 3.7 | 3.5 | 3.6 | 3.4 |
| Net periodic benefit cost | 3.4 | 3.4 | 3.5 | 4.0 | 3.5 | 3.6 |
| Weighted average expected long-term rate of return on plan assets for: | | | | | | |
| Net periodic benefit cost | 6.2 | 5.7 | 5.8 | — | — | — |
| Healthcare cost trend rate for: | | | | | | |
| Projected benefit obligations | — | — | — | 9.3 | 8.0 | 7.8 |
| Net periodic benefit cost | — | — | — | 10.0 | 9.3 | 8.0 |
| Estimated rate for the following 12-month net periodic benefit cost | — | — | — | 9.3 | 8.0 | 7.8 |

Assumed healthcare trend rates impact the amounts reported for healthcare plans. A one percentage-point change in the assumed healthcare trend rates has the following impact:

| | Other Benefit Plans Year ended December 31 | |
|--|---|---------|
| | 2006 | 2007 |
| 1% Increase | | |
| Effect on projected benefit obligation | \$ 10.2 | \$ 14.1 |
| Effect on service cost and interest cost | 1.0 | 1.2 |
| 1% Decrease | | |
| Effect on projected benefit obligation | (7.9) | (10.9) |
| Effect on service cost and interest cost | (0.7) | (0.9) |

The ultimate healthcare trend rate is estimated to steadily decline to 4.5% and is expected to be achieved in 2012.

The weighted average discount rate is determined using publicly available rates for high yield corporate bonds and government bonds for each country where there is a pension or non-pension benefit plan.

The weighted average rate of return for each asset class contained in our approved investment strategy is used to derive the expected long-term rate of return on assets. For fixed income securities, the long-term rate of return on bonds for each country is used. The duration of the long-term rate of return on the bonds coincides with the estimated maturity of the plan obligations. For equity securities, an expected equity risk premium is aggregated with the long-term rate of return on bonds. The expected equity risk premium is specific for each country and is based on historic equity returns.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in millions of U.S. dollars)

At December 31, 2007, we have pension plans that have accrued benefit obligations of \$286.3 in excess of plan assets of \$222.3. We also have pension plans with plan assets of \$207.3 that are in excess of accrued benefit obligation of \$187.0.

At December 31, 2007, the total accumulated benefit obligations for the pension plans was \$468.7 and the projected benefit obligations for the non-pension post-employment benefit plans was \$81.1.

In 2007, we made contributions to the pension plans of \$32.5, of which \$11.5 was for defined contribution plans and \$21.0 was for defined benefit plans. We may, from time to time, make voluntary contributions to the pension plans. In 2007, we made contributions to the non-pension post-employment benefit plans of \$3.0 to fund benefit payments.

The estimated future benefit payments for the next 10 years, which reflect expected future service, are as follows:

| | Year | Pension Benefits | Other Benefits |
|----------------------------------|-------------|------------------|----------------|
| Expected benefit payments: | 2008 | \$ 19.0 | \$ 3.4 |
| | 2009 | 19.4 | 3.3 |
| | 2010 | 19.5 | 3.4 |
| | 2011 | 20.5 | 3.5 |
| | 2012 | 21.3 | 3.6 |
| | 2013 - 2017 | 114.9 | 21.4 |
| Expected employer contributions: | 2008 | \$ 17.7 | \$ 3.4 |

15. FINANCIAL INSTRUMENTS:

Financial risk management objectives:

We have exposures to a variety of financial risks through our operations. In addition to credit risk and liquidity risk that we face in the normal course of business, there is also market risk associated with interest rate movements on outstanding debt obligations and exchange rate movements on non-U.S. dollar denominated receipts and payments. We have regularly monitored these risks and established policies and business practices to mitigate the adverse effects of these potential exposures. We have used certain types of derivative financial instruments to reduce the effects of some of these risks. We do not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

- (a) **Currency risk:** Exposures to exchange rate fluctuations arise when we have cash receipts and payments made in various foreign currencies. The majority of currency risk is driven by the operational costs incurred in local currencies by our foreign subsidiaries. We currently manage this risk through our cash flow hedging program. See note 2(n).
- (b) **Interest rate risk:** In connection with the 2011 Notes, we entered into interest rate swap agreements that hedge against the fair value of the 2011 Notes by swapping the fixed rate of interest for a variable rate based on LIBOR plus a margin. As a result, 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:** Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss to the Company. With respect to our financial market activities, we have adopted a policy of dealing only with creditworthy counterparties to mitigate the risk of financial loss from defaults. We monitor the credit risk of the counterparties with whom we conduct business, through a combined process of credit rating reviews and portfolio reviews.

Concentration of credit risk: Financial instruments that potentially subject us to concentrations of credit risk are primarily inventory repurchase obligations of customers, accounts receivable and non-cancelable purchases of inventory. We perform ongoing credit evaluations of our customers' financial conditions. In certain instances, we may obtain letters of credit or other forms of security from our customers. We consider our concentrations of credit risk in determining our estimates of reserves for potential credit losses. We maintain cash and short-term investments in high-quality investments or on deposit with major financial institutions. 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.

- (d) Liquidity risk: We have managed liquidity risk by maintaining a portfolio of liquid funds and investments, a revolving credit facility that includes overdraft facilities, as well as long-term borrowing facilities. We expect to continue to enter into debt and equity financings, sales of accounts receivable and lease transactions to fund anticipated growth and acquisitions.

Fair values:

We used the following methods and assumptions to estimate the fair value of each class of financial instruments:

- (a) The carrying amounts of cash and short-term investments, accounts receivable, accounts payable and accrued liabilities approximate fair value due to the short-term nature of these instruments.
- (b) The fair values of foreign currency contracts are estimated based on the quoted market rates of foreign exchange contracts with standard terms and conditions traded in the active liquid markets.
- (c) The fair values of the cancelable interest rate swaps are estimated using generally accepted valuation models based on discounted cash flow analysis with inputs of observable market data including future interest rates and implied volatilities.
- (d) The carrying amounts and fair values of our financial instruments, where there are differences, are as follows:

| | December 31, 2006 | | December 31, 2007 | |
|---|-------------------|------------------|-------------------|------------------|
| | Carrying Amount | Fair Value (iii) | Carrying Amount | Fair Value (iii) |
| Foreign currency contracts — asset (liability), net | \$ (0.2) | \$ (0.4) | \$ 20.0 | \$ 20.0 |
| Interest rate swaps — asset (liability) (i) | — | (7.9) | 8.7 | 8.7 |
| Senior Subordinated Notes due 2011 (ii) | 500.0 | 493.7 | 514.2 | 480.0 |
| Senior Subordinated Notes due 2013 (ii) | 250.0 | 244.4 | 253.7 | 233.8 |

- (i) Excludes any interest accruals.
- (ii) The carrying amount of the Notes excludes unamortized debt issue costs and accrued interest.
- (iii) Based on quoted market rates or prices.

The carrying values of our Senior Subordinated Notes are comprised of elements recorded at fair value and amortized cost. Bifurcated embedded prepayment options in both the 2011 and 2013 Notes are recorded at fair value using option pricing models. We have applied fair value hedge accounting to our 2011 Notes in accordance with the new standards. The changes in the fair value of the 2011 Notes due to the hedged interest rate risk from the redesignation date on January 1, 2007 to December 31, 2007 have been reflected in the carrying value of the 2011 Notes. See Note 7(d). Our 2013 Notes are not hedged and, therefore, are recorded at amortized cost except for the embedded prepayment options which are recorded at fair value.

The fair value of our hedged debt obligation (2011 Notes) in relation to the hedged interest rate risk is estimated by discounting future cash flows at current interest rates. The fair values of the prepayment options embedded in both the 2011 and 2013 Notes are estimated using option pricing models with inputs of observable market data including future interest rates, implied volatilities and credit spreads.

Derivatives and hedging activities:

All derivative financial instruments are recorded at fair value on our consolidated balance sheet. The counterparties to the contracts are highly-rated multinational commercial banks and, therefore, we believe the credit risk of counterparty non-performance is low.

We enter into foreign currency contracts to hedge foreign currency risks relating to cash flows. At December 31, 2007, we had forward exchange contracts to trade U.S. dollars in exchange for the following currencies:

| Currency | Amount of U.S. dollars | Weighted average exchange rate of U.S. dollars | Maximum period in months |
|-------------------|------------------------|--|--------------------------|
| Canadian dollar | \$ 216.7 | \$ 0.95 | 15 |
| Thai baht | \$ 73.8 | \$ 0.03 | 12 |
| Malaysian ringgit | \$ 52.7 | \$ 0.30 | 12 |
| Mexican peso | \$ 49.9 | \$ 0.09 | 12 |
| Czech koruna | \$ 28.6 | \$ 0.05 | 9 |
| Singapore dollar | \$ 23.0 | \$ 0.68 | 12 |
| Euro | \$ 2.0 | \$ 1.47 | 1 |

At December 31, 2007, the fair value of these contracts was a net unrealized gain of \$20.0 (2006 — unrealized loss of \$0.4). As of December 31, 2007, \$20.7 of derivative assets are recorded in prepaid and other assets, \$0.1 of derivative assets are recorded in other long-term assets and \$0.8 of derivative liabilities are recorded in accrued liabilities relating to our hedges against foreign currency risks.

We have not designated certain forward contracts to trade U.S. dollars for Euros and Czech korunas as hedges, and have marked these contracts to market each period through operations.

We designated the interest rate swap agreements in connection with the 2011 Notes as fair value hedges. The agreements mature in July 2011. 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 December 31, 2007 was an unrealized gain of \$8.7 which is recorded in other long-term assets (2006 — unrealized loss of \$7.9). The increase in the fair value of the swap agreements of \$16.6 for 2007 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 gain of \$2.4 for 2007. This fair value hedge ineffectiveness is primarily driven 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.

16. COMMITMENTS, CONTINGENCIES AND GUARANTEES:

At December 31, 2007, we have operating leases that require future payments as follows:

| | <u>Operating Leases</u> |
|------------|-------------------------|
| 2008 | \$ 47.0 |
| 2009 | 37.9 |
| 2010 | 29.3 |
| 2011 | 19.3 |
| 2012 | 7.7 |
| Thereafter | 43.4 |

We have contingent liabilities in the form of letters of credit, letters of guarantee, and surety and performance bonds which we provided to various third parties. These guarantees cover various payments, including customs and excise taxes, utility commitments and certain bank guarantees. At December 31, 2007, these contingent liabilities amounted to \$74.4 (2006 — \$84.9).

In addition to the above guarantees, we have also provided routine indemnifications, whose terms range in duration and often are not explicitly defined. These may 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 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 individuals who claim they were purchasers of our stock, on behalf of themselves and other 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 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 commenced 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 financing and transfer pricing policies which generally involve subjective areas of taxation and a significant degree of judgment. If any of these tax authorities is successful in challenging our financing or transfer pricing policies, our income tax expense may be adversely affected and we could also be subjected to interest and penalty charges.

In connection with 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 may be material.

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

17. SEGMENT AND GEOGRAPHIC 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, 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.

In 2006, we had three reportable operating segments: Asia, Americas and Europe. Beginning in the first quarter of 2007, we realigned our organizational structure to manage our operations more effectively. We evaluate financial information for purposes of making decisions and assessing financial performance based on the types of services we offer. Our operating segment is comprised of electronics manufacturing and global services, which we combined for reporting purposes because our global services segment does not meet the qualitative threshold for separate segment disclosure. 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.

| | Year ended December 31 | |
|-----------------------------------|------------------------|------|
| | 2006 | 2007 |
| Enterprise communications | 28% | 28% |
| Consumer | 18% | 22% |
| Servers | 17% | 19% |
| Telecommunications | 18% | 14% |
| Storage | 10% | 10% |
| Industrial, aerospace and defense | 9% | 7% |

- (ii) The following table details our external revenue allocated by manufacturing location among countries exceeding 10%:

| | Year ended December 31 | | |
|---------------|------------------------|------|------|
| | 2005 | 2006 | 2007 |
| China | 14% | 19% | 18% |
| Thailand | 19% | 20% | 17% |
| Mexico | — | 15% | 14% |
| Canada | 14% | 11% | 12% |
| United States | 13% | — | — |

- (iii) The following table details our property, plant and equipment allocated among countries exceeding 10%:

| | December 31 | | |
|----------|-------------|------|------|
| | 2005 | 2006 | 2007 |
| China | 21% | 20% | 21% |
| Canada | 20% | 19% | 18% |
| Thailand | 11% | 14% | 16% |
| Mexico | — | 11% | — |

18. SIGNIFICANT CUSTOMERS:

During 2005, two customers individually comprised 15% and 12% of total revenue. At December 31, 2005, one customer represented 12% of total accounts receivable.

During 2006, two customers individually comprised 10% of total revenue. At December 31, 2006, no customers represented more than 10% of total accounts receivable.

During 2007, two customers individually comprised 11% and 10% of total revenue. At December 31, 2007, no customers represented more than 10% of total accounts receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in millions of U.S. dollars)

19. SUPPLEMENTAL CASH FLOW INFORMATION:

| | Year ended December 31 | | |
|-----------------------------------|------------------------|-----------|---------|
| | 2005 | 2006 | 2007 |
| Paid (recovered) during the year: | | | |
| Interest (a) | \$ 40.6 | \$ 70.5 | \$ 76.6 |
| Taxes (b) | \$ 24.8 | \$ (36.5) | \$ 23.2 |

(a) This includes interest paid on the 2011 and 2013 Senior Subordinated Notes. Interest on the Notes is payable in January and July of each year until maturity. See notes 7(b) and (c). The interest paid on the 2011 Notes reflects the amounts received or paid relating to the interest rate swap agreements.

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

Cash and cash equivalents is comprised of the following:

| | December 31 | |
|------------------------|-------------|------------|
| | 2006 | 2007 |
| Cash | \$ 160.0 | \$ 328.7 |
| Short-term investments | 643.7 | 788.0 |
| | \$ 803.7 | \$ 1,116.7 |

20. CANADIAN AND UNITED STATES ACCOUNTING POLICY DIFFERENCES:

Our consolidated financial statements have been prepared in accordance with Canadian GAAP. The significant differences between Canadian and U.S. GAAP, and their effect on our consolidated financial statements, are described below:

Consolidated statements of operations:

The following table reconciles net loss as reported in the accompanying consolidated statements of operations to net loss that would have been reported had the consolidated financial statements been prepared in accordance with U.S. GAAP:

| | Year ended December 31 | | |
|---|------------------------|------------|-----------|
| | 2005 | 2006 | 2007 |
| Net loss in accordance with Canadian GAAP | \$ (46.8) | \$ (150.6) | \$ (13.7) |
| Impact of convertible debt for Canadian GAAP, net of tax (a) | (6.3) | — | — |
| Interest expense on convertible debt, net of tax (a) | (5.3) | — | — |
| Loss on repurchase of convertible debt, net of tax (a) | (2.2) | — | — |
| Deferred taxes on unrealized foreign exchange gains (a) | 8.8 | — | — |
| Gain on foreign exchange contract, net of tax (b) | — | 3.2 | — |
| Impact of debt instruments and interest rate swaps, net of tax (c) | — | — | (1.4) |
| Stock-based compensation expense (f) | 9.0 | (1.9) | (1.0) |
| Net loss in accordance with U.S. GAAP | \$ (42.8) | \$ (149.3) | \$ (16.1) |
| Other comprehensive income (loss): | | | |
| Other comprehensive income in accordance with Canadian GAAP | (21.9) | 7.1 | 29.9 |
| Net loss on derivatives designated as cash flow hedges, net of tax (c) | (19.5) | (4.8) | — |
| Changes to funded status of defined benefit pension and other post-employment benefit plans (d) | — | — | 6.5 |
| Minimum pension liability, net of tax (d) | (6.6) | (38.1) | — |
| Comprehensive income (loss) in accordance with U.S. GAAP | \$ (90.8) | \$ (185.1) | \$ 20.3 |

The following table details the computation of U.S. GAAP basic and diluted loss per share:

| | Year ended December 31 | | |
|--|------------------------|------------|-----------|
| | 2005 | 2006 | 2007 |
| Loss attributable to common shareholders — basic and diluted | \$ (42.8) | \$ (149.3) | \$ (16.1) |
| Weighted average shares — basic (in millions) | 226.2 | 227.2 | 228.9 |
| Weighted average shares — diluted (in millions)(1) | 226.2 | 227.2 | 228.9 |
| Basic loss per subordinate voting share(2) | \$ (0.19) | \$ (0.66) | \$ (0.07) |
| Basic loss per multiple voting share(2) | \$ (0.19) | \$ (0.66) | \$ (0.07) |
| Diluted loss per share | \$ (0.19) | \$ (0.66) | \$ (0.07) |

(1) Excludes the effect of all options, warrants, and convertible debt as they are anti-dilutive due to the loss reported in the year. As of December 31, 2005, we had no convertible debt securities outstanding.

(2) Basic loss per share:

Under U.S. GAAP, we applied the two-class method as required by EITF 03-6, "Participating securities and the two-class method under FASB No. 128," which requires the disclosure of basic loss per share for each class of shares assuming 100% of our earnings are distributed as dividends to each class of shares based on their contractual rights. For purposes of this calculation, our MVS and SVS holders share ratably, as a single class, in any dividends declared. See note 9(a). Under Canadian GAAP, there is no requirement to split basic loss per share.

The cumulative effect of these adjustments on our shareholders' equity is as follows:

| | As at December 31 | | |
|--|-------------------|------------|------------|
| | 2005 | 2006 | 2007 |
| Shareholders' equity in accordance with Canadian GAAP | \$ 2,214.4 | \$ 2,094.6 | \$ 2,118.2 |
| Gain on foreign exchange contract, net of tax (b) | 12.1 | 15.3 | 15.3 |
| Net gain (loss) on cash flow hedges (c) | 4.3 | (0.5) | — |
| Impact of debt instruments and interest rate swaps, net of tax (c) | — | — | 5.5 |
| Minimum pension liability, net of tax (d) | (53.9) | (92.0) | (92.0) |
| Recognition of funded status of benefit plans, net of tax (d) | — | (57.0) | (50.5) |
| Shareholders' equity in accordance with U.S. GAAP | \$ 2,176.9 | \$ 1,960.4 | \$ 1,996.5 |

(a) Under Canadian GAAP, we bifurcated our LYONs into a principal component and an option component. We recorded the principal component as debt and the option component as equity. We recorded the accretion charges, amortization of debt issue costs, and gains and losses on repurchases relating to the principal component in the statement of operations. These charges are added back for U.S. GAAP. Under U.S. GAAP, we recorded the entire convertible debt as a long-term liability and, accordingly, have recorded the accretion charges and amortization of debt issue costs to interest expense of \$5.3, net of tax of \$3.0. In the third quarter of 2005, we repurchased the remaining outstanding LYONs. Under U.S. GAAP, we recorded a loss on repurchase of LYONs of \$2.2, net of \$1.2 in taxes. We reversed the outstanding deferred tax balance in 2005 as there were no LYONs remaining.

(b) In 2001, we entered into a forward exchange contract to hedge the cash portion of the purchase price for one acquisition. This transaction did not qualify for hedge accounting treatment under SFAS No. 133, which specifically precludes hedges of forecasted business combinations. We had a gain on the exchange contract of \$15.7, less tax of \$3.6. We recorded a net gain of \$12.1 in operations in 2001 for U.S. GAAP. For

Canadian GAAP, we included the gain in the cost of the acquisition, resulting in a goodwill value that was \$15.7 lower for Canadian GAAP than U.S. GAAP. In 2006, we sold the plastics business that was part of the initial acquisition. This resulted in a portion of the gain being realized in operations under Canadian GAAP of \$0.4. In 2006, we also reduced the deferred tax by \$3.6 on the initial gain. As of December 31, 2006 and 2007, the remaining gain on the foreign exchange contract was \$15.3.

- (c) We enter into forward exchange contracts to hedge certain forecasted cash flows. The contracts are for periods consistent with the forecasted transactions. We document all relationships between hedging instruments and hedged items, as well as our risk management objectives and strategies. We record changes in the fair value of foreign currency contracts that are designated effective and qualify as cash flow hedges of forecasted transactions in accumulated other comprehensive income and reclassify these into the same component of earnings in the same period when the hedged transaction is recognized. At December 31, 2005, we recorded an asset of \$4.3 (\$7.2 less \$2.9 in taxes) and a corresponding loss of \$19.5 (\$26.1 less \$6.6 in taxes) to other comprehensive loss. At December 31, 2006, we recorded a liability of \$0.5 (with no tax impact) and a corresponding loss of \$4.8 (\$7.7 less \$2.9 in taxes) to other comprehensive loss. Effective January 1, 2007, we adopted the new standards issued by the CICA on financial instruments, hedges and comprehensive income. As a result, this is no longer a reconciling item for U.S. GAAP.

In 2004, we entered into interest rate swap agreements to hedge the fair value of our 2011 Notes by swapping the fixed rate of interest for a variable interest rate. Under U.S. GAAP, we recorded a liability of \$9.9 (less \$3.4 in taxes) as at December 31, 2006, representing the fair value of the swap agreements, and a corresponding loss to earnings. We also recorded an asset of \$9.9 (less \$3.4 in taxes) as at December 31, 2006, representing the incremental fair value of the 2011 Notes attributable to the risk being hedged, and a corresponding gain to earnings. There was no net impact to the statement of operations.

Effective January 1, 2007, the prepayment options in our Senior Subordinated Notes are regarded as embedded derivatives under Canadian GAAP and bifurcated in accordance with the new standards issued by the CICA. However, such bifurcation is not required under U.S. GAAP and therefore, the transitional adjustments related to the bifurcation of embedded prepayment options recorded against the opening deficit, as well as the subsequent fair value adjustments of embedded derivatives and amortization of related basis adjustments due to bifurcation of embedded derivatives in the statement of operations, are reversed for U.S. GAAP. Under U.S. GAAP, we recorded a gain of \$1.3 (\$1.9 less \$0.6 in taxes) to reverse the transitional adjustment recorded in opening deficit for Canadian GAAP. This is offset by a loss of \$1.3 (\$1.9 less \$0.6 in taxes) in the statement of operations to reverse the fair value adjustments and amortization of basis adjustments recorded for Canadian GAAP. There is no net impact on shareholders' equity under U.S. GAAP in 2007.

Due to the bifurcation of embedded prepayment options as required by the new standards issued by the CICA, our prior hedge relationship between the 2011 Notes and the interest rate swaps becomes a non-qualified type for fair value hedge accounting under Canadian GAAP. Under Canadian GAAP, as part of the transitional adjustments, we recorded a derivative liability of \$7.9 as of January 1, 2007 for the interest rate swaps. This transitional loss of \$5.6 (\$7.9 less \$2.3 in taxes) is added back to shareholders' equity for U.S. GAAP. On January 1, 2007, we redesignated a new hedging relationship between our 2011 Notes and the interest rate swaps, together with the bifurcated embedded prepayment options, to qualify for fair value hedge accounting under Canadian GAAP. For Canadian GAAP, we have adopted the "long-haul" method to evaluate the effectiveness of this hedge relationship on an ongoing basis and to calculate the changes in the fair values of the hedging instrument and related hedged item due to the hedged risks. For 2007, the difference in the changes in fair values between the interest rate swaps and the hedged debt obligation amounted to a loss of \$3.5 (\$1.3 plus \$2.2 in taxes) for Canadian GAAP which is added back to the statement of operations for U.S. GAAP.

Since bifurcation of our embedded prepayment options is not required under U.S. GAAP, we continue to apply fair value hedge accounting to our 2011 Notes and interest rate swaps in 2007, using the "shortcut" method with the assumption that there is no ineffectiveness for U.S. GAAP. We recorded an increase of \$16.6 in the fair value of interest rate swap, with a corresponding gain of \$11.8 (\$16.6 less \$4.8 in taxes) to earnings. We also recorded an increase of \$16.6 in the fair value of the 2011 Notes attributable to the interest rate risk being hedged, and a corresponding loss of \$15.4 (\$16.6 less \$1.2 in taxes) to earnings. The difference in the tax rates applied to the gain on the interest rate swaps and the loss on hedged debt obligation resulted in a loss of \$3.6 charged to the statement of operations under U.S. GAAP.

- (d) Prior to adopting SFAS No. 158 for U.S. GAAP, we were required to record an additional minimum pension liability for our post-employment benefit plans to reflect the excess of the accumulated benefit obligations over the fair value of the plan assets. We charged other comprehensive loss with \$38.1, net of tax of \$23.8 in 2006.

As a result of adopting SFAS No. 158 in 2006, we recorded a net pension liability for U.S. GAAP, representing the funded status of pension and other post-retirement benefit plans, and charged accumulated other comprehensive loss for \$57.0 at December 31, 2006. Changes to the funded status after initial adoption are recognized through comprehensive income (loss) in the year of the change. The estimated amounts that will be amortized from accumulated other comprehensive loss during 2008 are a loss of \$0.2 in initial net asset obligation, a \$1.1 gain in prior service costs, and a net loss of \$5.4. There are no pension plan assets that are expected to be returned to us during 2008.

- (e) Accrued liabilities include \$113.7 at December 31, 2007 (2006 — \$108.2) relating to payroll and benefit accruals.

Other disclosures required under U.S. GAAP:

- (f) Stock-based compensation:

Effective January 1, 2006, we adopted SFAS No. 123(R) which revises SFAS No. 123, "Share-based payments." This standard requires companies to expense the fair value of stock-based compensation awards through their income statement. Prior to the adoption of SFAS No. 123(R), we accounted for forfeitures as they occurred. The new standard requires forfeitures to be estimated at the time of grant in order to estimate the amount of stock-based awards that will ultimately vest. We elected to apply the modified prospective transition method as permitted by SFAS No. 123(R) to account for stock option awards outstanding as at December 31, 2005. In accordance with this transition method, we have included in our U.S. GAAP results, the costs of options granted prior to December 31, 2005 that are unvested and outstanding as of December 31, 2005, using estimated forfeiture rates.

As a result of adopting SFAS No. 123(R), we recorded an additional \$1.9 to our U.S. GAAP compensation expense for 2006. Diluted net loss per share for 2006 was approximately \$0.03 higher than if we continued to account for stock-based compensation under APB Opinion No. 25. We recorded an additional \$1.0 to our U.S. GAAP compensation expense for 2007.

We have applied the fair value method of accounting for awards granted subsequent to December 31, 2005. The fair value of options was determined using the Black-Scholes option pricing model on the grant date. We amortize the estimated fair value of options to expense over the vesting period, on a straight-line basis. The assumptions used in the Black-Scholes calculation are disclosed in note 9.

As of December 31, 2007, we have total compensation costs relating to unvested stock option awards that have not yet been recognized of \$9.0 (2006 — \$11.2), net of estimated forfeitures. Compensation cost will be amortized on a straight-line basis over the remaining weighted-average period of approximately two years and will be adjusted for subsequent changes in estimated forfeitures.

Prior to January 1, 2006, we measured compensation costs related to stock options granted to employees using the intrinsic value method as prescribed by APB Opinion No. 25, "Accounting for stock issued to employees," as permitted by SFAS No. 123. SFAS No. 123 also required the disclosure of pro forma information as if we had accounted for our employee stock options under the fair-value method prescribed by SFAS No. 123. We amortized the estimated fair value of options to expense over the vesting period, on a straight-line basis. We applied the Black-Scholes option pricing model to determine the fair value of options.

As of December 31, 2007, the weighted average remaining life of exercisable options is 4.5 years.

The pro forma disclosure relating to options granted prior to January 1, 2006 for U.S. GAAP is as follows:

| | Year ended December 31 2005 |
|--|-----------------------------------|
| Net loss in accordance with U.S. GAAP, as reported | \$ (42.8) |
| Deduct: Stock-based compensation costs using fair-value method | (56.6) |
| Pro forma net loss in accordance with U.S. GAAP | \$ (99.4) |
| Loss per share: | |
| Basic — as reported | \$ (0.19) |
| Basic — pro forma | \$ (0.44) |
| Diluted — as reported | \$ (0.19) |
| Diluted — pro forma | \$ (0.44) |

Under Canadian GAAP, we adopted the fair-value method of accounting for stock-based compensation in 2003 and recorded stock option expense of \$9.0 in 2005 which was added back for U.S. GAAP.

(g) Accumulated other comprehensive loss:

| | Year ended December 31 | | |
|---|------------------------|-------------------|------------------|
| | 2005 | 2006 | 2007 |
| Accumulated other comprehensive income in accordance with Canadian GAAP | \$ 19.4 | \$ 26.5 | \$ 55.9 |
| Opening balance of accumulated net gain (loss) on cash flow hedges | 23.8 | 4.3 | (0.5) |
| Transitional adjustment — January 1, 2007 (note 10) | — | — | 0.5 |
| Net loss on derivatives designated as cash flow hedges, net of tax (c) | (19.5) | (4.8) | — |
| Closing balance | 4.3 | (0.5) | — |
| Opening balance related to pension and non-pension post-employment benefit plans | (47.3) | (53.9) | (149.0) |
| Minimum pension liability, net of tax (d) | (6.6) | (38.1) | — |
| Recognition of funded status of defined benefit pension and other post-employment benefit plans, net of tax (d) | — | (57.0) | 6.5 |
| Closing balance | (53.9) | (149.0) | (142.5) |
| Accumulated other comprehensive loss in accordance with U.S. GAAP | \$ (30.2) | \$ (123.0) | \$ (86.6) |

(h) Warranty liability:

We record a liability for future warranty costs based on management's best estimate of probable claims under our product or service warranties. The accrual is based on the terms of the warranty which vary by customer, product or service and historical experience. We regularly evaluate the appropriateness of the remaining accrual.

The following table details the changes in the warranty liability:

| | 2005 | 2006 | 2007 |
|------------------------|---------|---------|---------|
| Balance at January 1 | \$ 20.0 | \$ 23.9 | \$ 23.2 |
| Accruals | 17.6 | 14.3 | 15.5 |
| Payments | (13.7) | (15.0) | (13.9) |
| Balance at December 31 | \$ 23.9 | \$ 23.2 | \$ 24.8 |

(i) Accounting for uncertainty in income taxes:

Effective 2007, we adopted FIN 48, "Accounting for uncertainty in income taxes," for U.S. GAAP. This standard prescribes a recognition and measurement model for the accounting of uncertain tax positions. FIN 48 clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on de-recognition of tax benefits, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. The adoption of this standard did not have a material impact on our U.S. GAAP results.

A reconciliation of the beginning and ending amount of the unrecognized tax benefits is as follows:

| | 2007 |
|---|---------|
| Balance at January 1 | \$ 88.3 |
| Additions based on tax provisions related to the current year, including foreign exchange | 22.6 |
| Reductions for tax positions of prior years | (31.1) |
| Balance at December 31 | \$ 79.8 |

The full amount of unrecognized tax benefits of \$79.8, if recognized, would reduce our annual effective tax rate. We expect our unrecognized tax benefits to change significantly over the next 12 months as a result of ongoing Canadian and foreign tax audits. However, we are unable to estimate the range of possible change.

We recognize accrued interest related to unrecognized tax benefits in current tax expense. We accrued net potential interest of \$5.7 related to the unrecognized tax benefits during 2007 and in total, as of December 31, 2007, we have recorded a net liability for potential interest of \$1.6.

We are subject to taxes in the following jurisdictions: Canada, United States, Mexico, Brazil, Spain, Czech Republic, Romania, Hungary, Switzerland, Hong Kong, China, Japan, Thailand, Singapore and Malaysia, all with varying statutes of limitations.

Generally, the tax years 2000 through 2007 remain subject to examination by tax authorities with the exception of the following jurisdictions in which earlier years remain subject to examination by tax authorities:

| | Years |
|-------------------------------------|-----------|
| Canada (specific item under waiver) | 1996-1998 |
| Hong Kong | 1998-1999 |

(j) Recently issued United States accounting pronouncements:

In December 2007, the FASB issued SFAS No. 141R, "Business combinations (revised 2007)," which requires the use of fair value accounting for business combinations. Equity securities issued as consideration in a business combination will be recorded at fair value as of the acquisition date as opposed to the date when the terms of the business combination has been agreed to and announced. In addition, transaction costs must be expensed under the new standard. This standard is to be applied prospectively and effective for acquisitions closing on or after January 1, 2009.

21. COMPARATIVE INFORMATION:

We have reclassified certain prior year information to conform to the current year's presentation.

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FOURTH AMENDED AND RESTATED
REVOLVING TERM CREDIT AGREEMENT

CELESTICA INC. AND THE SUBSIDIARIES SPECIFIED AS
DESIGNATED SUBSIDIARIES HEREIN,
as Borrowers

- and -

CIBC WORLD MARKETS,
as Joint Lead Arranger

- and -

RBC CAPITAL MARKETS,
as Joint Lead Arranger and Co-Syndication Agent

- and -

CANADIAN IMPERIAL BANK OF COMMERCE,
as Administrative Agent

- and -

BANC OF AMERICA SECURITIES LLC
as Co-Syndication Agent

- and -

THE FINANCIAL INSTITUTIONS NAMED IN SCHEDULE A,
as Lenders

UP TO U.S.\$ 400,000,000
REVOLVING TERM CREDIT FACILITY

Made as of April 12, 2007

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v

FOURTH AMENDED AND RESTATED REVOLVING TERM CREDIT AGREEMENT

MADE as of April 12, 2007.

B E T W E E N:

CELESTICA INC.,

a corporation incorporated under the laws of the Province of Ontario,

- and -

THE SUBSIDIARIES OF CELESTICA INC. SPECIFIED HEREIN AS DESIGNATED SUBSIDIARIES,

- and -

CIBC WORLD MARKETS,

as Joint Lead Arranger,

- and -

RBC CAPITAL MARKETS,

as Joint Lead Arranger and Co-Syndication Agent,

- and -

CANADIAN IMPERIAL BANK OF COMMERCE,

a Canadian chartered bank, as Administrative Agent,

- and -

BANC OF AMERICA SECURITIES LLC

as Co-Syndication Agent

- and -

THE FINANCIAL INSTITUTIONS NAMED IN SCHEDULE

A, as Lenders.

WHEREAS Celestica Inc., the Subsidiaries of Celestica Inc. designated therein as Designated Subsidiaries, Canadian Imperial Bank of Commerce, as the Administrative Agent, CIBC World Markets, as Joint Lead Arranger, RBC Capital Markets, as Joint Lead Arranger and Co-Syndication Agent, Banc of America Securities LLC, as Co-Syndication Agent, The Bank of Nova Scotia, as Documentation Agent, and the financial institutions named therein as the Lenders are parties to a Third Amended and Restated Revolving Term Credit Agreement dated

as of June 4, 2004 (the “**Existing Credit Agreement**”), which amended and restated a Second Amended and Restated Revolving Term Credit Agreement dated as of December 17, 2002 (as amended by the First Amendment to Second Amended and Restated Revolving Term Credit Agreement dated as of October 31, 2003 and by the Second Amendment to Second Amended and Restated Revolving Term Credit Agreement dated as of March 30, 2004) between Celestica Inc., the Subsidiaries of Celestica Inc. designated therein as Designated Subsidiaries, The Bank of Nova Scotia as the Administrative Agent, CIBC World Markets, as Joint Lead Arranger and Syndication Agent, RBC Capital Markets and Banc of America Securities LLC, as Joint Lead Arrangers and Co-Documentation Agents, and the financial institutions named therein as the Lenders, which amended and restated an Amended and Restated Revolving Term Credit Agreement dated as of June 8, 2001 among Celestica Inc., the Subsidiaries of Celestica Inc. designated therein as Designated Subsidiaries, The Bank of Nova Scotia, as the Administrative Agent, the Canadian Facility Agent, the U.S. Facility Agent and the U.K. Facility Agent and the financial institutions named therein as the Lenders, which amended and restated a Credit Agreement among Celestica Inc., the Subsidiaries of Celestica Inc. designated therein as Designated Subsidiaries, The Bank of Nova Scotia as the Administrative Agent, the Canadian Facility Agent, the U.S. Facility Agent and the U.K. Facility Agent and the financial institutions named therein as the Lenders dated as of April 22, 1999;

AND WHEREAS the parties hereto wish to amend and restate the Existing Credit Agreement on the terms set forth herein;

NOW THEREFORE THIS AGREEMENT WITNESSES that, in consideration of the premises, the covenants herein contained and other valuable consideration, the parties hereto agree as follows:

1.1 Definitions

In this Agreement:

“**Acceptance Note**” means a non-interest bearing promissory note of a Borrower substantially in the form of Schedule L delivered to a Lender in the circumstances set out in Section 4.7(a);

“**Acquired Indebtedness**” means Indebtedness of any Person (i) which is outstanding at the time that such Person becomes a Restricted Subsidiary or is amalgamated with, or merged with or into, a Borrower or a Restricted Subsidiary; or (ii) which is outstanding at the time that assets of a Person are acquired by a Borrower or a Restricted Subsidiary and the obligation for repayment of which is assumed by such Borrower or Restricted Subsidiary in connection with the acquisition of such assets;

“**Additional Commitment**” has the meaning specified in Section 2.23(a);

“**Additional Compensation**” has the meaning specified in Section 5.2;

“**Additional Lender**” has the meaning specified in Section 2.23(a);

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“**Administrative Agent**” means Canadian Imperial Bank of Commerce when acting in its capacity as administrative agent hereunder;

“**Advance**” means a Prime Rate Advance, a Bankers’ Acceptance Advance, a LIBOR Advance, or a Base Rate Canada Advance made by the Lenders or a Lender, as applicable, or the issuance of a Letter of Credit and “**Advances**” means all of them;

“**Affected Lender**” has the meaning specified in Section 5.4(b);

“**Affiliate**” means an affiliated body corporate and, for the purposes of this Agreement, (i) one body corporate is affiliated with another body corporate if one such body corporate is the Subsidiary of the other or both are Subsidiaries of the same body corporate or each of them is controlled by the same Person and (ii) if two bodies corporate are affiliated with the same body corporate at the same time, they are deemed to be affiliated with each other; for greater certainty for the purposes of this definition, “**body corporate**” shall include a Canadian chartered bank;

“**Agents**” means the Administrative Agent, the Co-Syndication Agents and the Documentation Agent and “**Agent**” shall mean any one of them;

“**Agreement**” means this agreement and all Schedules attached hereto as the same may be amended, restated, replaced or superseded from time to time;

“**Applicable Law**” means, with respect to any Person, property, transaction or event, all applicable laws, statutes, rules, regulations, codes, treaties, conventions, judgments, orders, awards or determinations of courts, arbitrators or mediators, and decrees in any applicable jurisdiction which are binding on such Person, property, transaction or event;

“**Applicable Margin**” shall have the meaning specified in Schedule C;

“**Approved Credit Rating Agency**” means any one of Standard & Poor’s, Moody’s and any other similar agency agreed to by Celestica and the Administrative Agent;

“**Arm’s Length**” has the meaning ascribed thereto under the *Income Tax Act* (Canada) in effect as of the date hereof;

“**Assenting Lender**” has the meaning specified in Section 5.4(b);

“**Available Swing Line Commitment**” means the monetary amount which is the Commitment of the Swing Line Lender as may be increased or decreased from time to time pursuant to Section 2.22(j);

“**Bankers’ Acceptance**” means a draft or other bill of exchange in Canadian Dollars including, without limitation, a depository bill subject to the *Depository Bills and Notes Act* (Canada), drawn by Celestica or a Canadian Designated Subsidiary and accepted by a Lender in accordance with Article 4;

“**Bankers’ Acceptance Advance**” means the advance of funds to a Borrower by way of creation and issuance of Bankers’ Acceptances or by way of the issuance of an Acceptance Note, in each case in accordance with the provisions of Article 4;

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“**Banking Day**” means a day, other than a Saturday or a Sunday and, where used in the context of a notice, delivery, payment or other communication addressed to:

- (i) the Administrative Agent, which is also a day on which banks are not required or authorized to close in Toronto, Canada and
 - (A) in the case of Base Rate Canada Advances in United States Dollars, which is also a day on which banks are not required or authorized to close in New York, New York; or
 - (B) in the case of LIBOR Advances in United States Dollars, which is also a day on which banks are not required or authorized to close in New York, New York or London, England, or which is a day on which dealings are not carried on in the London interbank market;

“**Base Rate Canada**” means, on any day on which such rate is determined, the greater of (i) the variable rate of interest per annum, expressed on the basis of a year of 365 or 366 days, as the case may be, established or quoted from time to time by the Administrative Agent as the reference rate of interest then in effect for determining interest rates on United States Dollar denominated commercial loans made by it in Canada; and (ii) the Federal Funds Effective Rate plus ½ of 1% per annum;

“**Base Rate Canada Advance**” means a loan made by the Lenders to a Borrower on which interest is payable based on the Base Rate Canada plus the Applicable Margin;

“**Borrowers’ Counsel**” means Davies Ward Philips & Vineberg LLP, Toronto, Ontario or such other firm of legal counsel as the Borrowers may from time to time designate;

“Borrowers” means Celestica and each Designated Subsidiary from time to time and their respective permitted successors and assigns and **“Borrower”** means any of them;

“Business” means the business of:

- (a) conducting a broad range of electronics manufacturing services, including front end design and product development, manufacturing, assembly and testing of printed circuit boards, printed circuit board assembly, backplanes, electro-mechanical sub-assembly, memory modules, photonics, opto-electronic assembly, full system assembly, product testing, quality assurance, failure analysis, packaging and direct order fulfilment, after market service and support, and other related manufacturing services;
- (b) a full range of supply chain management services such as materials procurement, inventory management, logistics, packaging, distribution, after-market support and refurbishment;
- (c) design services including concept and product design, product documentation and data management, prototype services, product qualification, design for manufacturability and new product introduction;

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- (d) the design, production, distribution and sale of reference designs and power products; and
- (e) any incidental businesses conducted by businesses acquired by a Borrower or a Restricted Subsidiary whose principal business involves one or more of the businesses described in paragraphs (a) through (d) of this definition;

“Canadian BA Rate” means, for a particular term, the discount rate per annum, calculated on the basis of a year of 365 days, for Canadian Dollar Bankers’ Acceptances having such term:

- (a) in respect of the Bankers’ Acceptances to be accepted by a Schedule I Lender, that appears as the CDOR average rate on the display page designated as the CDOR page (or any replacement page) by Reuters Money Market Service (or its successor) as of 10:00 a.m. (Toronto, Canada time) on the first day of such term; and
- (b) in respect of the Bankers’ Acceptances or Acceptance Notes to be accepted by a Non-Schedule I Lender, as are quoted by such Non-Schedule I Lender as of 10:00 a.m. (Toronto, Canada time) on the first day of such term, provided that such quoted rate shall in no event exceed the rate determined for Bankers’ Acceptances accepted by a Schedule I Lender pursuant to paragraph (a) of this definition plus ten basis points, each as determined by the Administrative Agent.

“Canadian Dollars” and **“Cdn.\$”** mean the lawful currency of Canada in immediately available funds;

“Canadian Designated Subsidiary” means a Designated Subsidiary, (a) which was incorporated, continued, amalgamated or otherwise created in accordance with and continues to be governed by the laws of a Province of Canada or the federal laws of Canada and which is domiciled in Canada; and (b) which has satisfied and complied with the terms of Section 7.1(b);

“Capital Lease” means any leasing or similar arrangement which, in accordance with GAAP, would be classified a capital lease;

“Capital Lease Obligations” means all monetary obligations of Celestica or a Subsidiary under a Capital Lease and for the purposes of this Agreement and each other Loan Document, the amount of such obligations shall be the capitalized amount thereof, determined in accordance with GAAP;

“Celestica” means Celestica Inc., a corporation duly incorporated, organized and subsisting under the laws of the Province of Ontario, and any successor or continuing corporation;

“Celestica International” means Celestica International Inc., a corporation duly incorporated, organized and subsisting under the laws of the Province of Ontario, and any successor or continuing corporation;

“CERCLA” means the United States *Comprehensive Environmental Response, Compensation and Liability Act of 1980*;

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“CERCLIS” means the United States Comprehensive Environmental Response Compensation Liability Information System List;

“Chinese Material Restricted Subsidiary” has the meaning specified in Section 8.4(a);

“CIBC” means Canadian Imperial Bank of Commerce, a Canadian chartered bank;

“Claims” has the meaning specified in Section 12.4(a);

“Closing” means the satisfaction of the conditions precedent set out in Section 6.1;

“Closing Date” means the date of Closing;

“Code” means the United States *Internal Revenue Code of 1986*;

“Commitment” means the commitment of each Lender to loan a portion of the aggregate amount of the Facility, in the amount set opposite its name in Schedule B, as such Schedule B may be amended pursuant to (a) Section 2.23 or (b) under a Transfer Notice pursuant to Section 13.11;

“Consent Designated Subsidiaries” means a Designated Subsidiary; (a) which was not incorporated, continued, amalgamated or otherwise created in accordance with the laws of a Province of Canada or the federal laws of Canada; and (b) which has satisfied and complied with the terms of Section 7.1(c);

“Contingent Liability” means any agreement, undertaking or arrangement by which any Person guarantees, endorses or otherwise becomes or is contingently liable for the Indebtedness of any other Person, such Indebtedness being any of the types referred to in paragraphs (a), (b), (c), (e), (f) and (g) of the definition of Indebtedness (in the case of paragraphs (f) and (g), only to the extent that the Indebtedness described in such paragraphs comprises or relates to Indebtedness of the types referred to in paragraphs (a), (b), (c) and (e) of the definition of Indebtedness);

“**control**” means, with respect to control of a body corporate by a Person, the holding (other than by way of security only) by or for the benefit of that Person, or Affiliates of that Person of securities of such body corporate or the right to vote or direct the voting of securities of such body corporate to which, in the aggregate, are attached more than 50% of the votes that may be cast to elect directors of the body corporate, provided that the votes attached to those securities are sufficient, if exercised, to elect a majority of the directors of the body corporate;

“**Controlled Group**” means all members of a controlled group of corporations and all members of a controlled group of trades or business (whether or not incorporated) under common control which, together with the Borrowers, are treated as a single employer under Section 414(b) or Section 414(c) of the Code;

“**Conversion**” means the conversion of one type of Advance into another type of Advance pursuant to Section 2.15;

“**Conversion Notice**” means a notice substantially in the form set out in Schedule E;

“**Corporate Reorganization**” has the meaning specified in Section 13.12;

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“**DB Receivables Purchase Agreement**” means the revolving trade receivables purchase agreement dated as of November 23, 2005 among Celestica, Celestica Corporation, Celestica Raječko s.r.o., Celestica Holdings Pte Ltd., Celestica Valencia S.A., Celestica Hong Kong Ltd., each of the purchasers listed therein and Deutsche Bank AG New York Branch, as the same may be amended, restated, supplemented or modified from time to time;

“**Debt Rating**” means, at any time, Celestica’s issuer credit rating provided by Standard & Poor’s, or Celestica’s senior implied rating provided by Moody’s, or the equivalent rating provided by any other Approved Credit Rating Agency;

“**Debt Rating Downgrade**” means the Debt Rating of Celestica being downgraded to below BB- by Standard & Poor’s or Ba3 by Moody’s;

“**Debt Rating Upgrade**” means the Debt Rating of Celestica being upgraded to BB by Standard & Poor’s and Ba2 by Moody’s or better;

“**Default**” means an event which, with the giving of notice or the passage of time or the making of any determination or any combination thereof as provided for herein, would constitute an Event of Default;

“**Designated Account**” means an account of a Borrower of which the Administrative Agent is notified by such Borrower from time to time for the purposes of transactions under this Agreement;

“**Designated Subsidiary**” means a directly or indirectly wholly-owned Restricted Subsidiary of Celestica designated by Celestica as a Canadian Designated Subsidiary or a Consent Designated Subsidiary in accordance with and which complies with the applicable terms of Section 7.1 of this Agreement;

“**Designated Subsidiary Agreement**” means an agreement substantially in the form set out in Schedule F;

“**Disbursement**” has the meaning specified in Section 3.4;

“**Disbursement Date**” has the meaning specified in Section 3.4;

“**Domestic Material Restricted Subsidiary**” means a Material Restricted Subsidiary that was incorporated, continued, amalgamated, merged or otherwise created in accordance with and continues to be governed by the laws of a Province of Canada or the federal laws of Canada or the laws of any state of the United States of America;

“**Domestic Restricted Subsidiary**” means a Restricted Subsidiary that was incorporated, continued, amalgamated, merged or otherwise created in accordance with and continues to be governed by the laws of a Province of Canada or the federal laws of Canada or the laws of any state of the United States of America;

“**Drawdown**” means a drawdown of an Advance;

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“**Drawdown Date**” means, in relation to any Advance, the date, which shall be a Banking Day, on which the Drawdown of such Advance is made by a Borrower pursuant to a Drawdown Notice;

“**Drawdown Notice**” means a notice substantially in the form set out in Exhibit 1 to Schedule G;

“**EBITDA**” means, for any particular period, the aggregate of:

- (a) Net Income for such period;
- (b) all amounts deducted in the calculation of Net Income in respect of Taxes, whether paid or deferred (in accordance with GAAP);
- (c) all amounts deducted in the calculation of Net Income in respect of depreciation;
- (d) all amounts deducted in the calculation of Net Income in respect of amortization;
- (e) all amounts deducted in the calculation of Net Income in respect of Interest Expense, other than the implicit financing costs of synthetic leases;
- (f) all amounts deducted in the calculation of Net Income in determining all non-recurring charges; and
- (g) non-cash charges and purchase accounting deductions,

provided that, in the event of the acquisition by Celestica or a Restricted Subsidiary of (i) a corporation which becomes a new Restricted Subsidiary or (ii) any other entity or a group of assets or an operation, provided that such operation comprises a going concern which becomes a division or part of the business of Celestica or a Restricted Subsidiary (an “**operation**”), EBITDA will, subject to (x) and (y), include the EBITDA for the newly acquired Restricted Subsidiary or operation for its immediately preceding four fiscal quarters completed prior to such acquisition.

- (x) If such newly acquired Restricted Subsidiary or operation was, immediately prior to such acquisition, accounted for on a stand-alone basis, EBITDA for such newly acquired Restricted Subsidiary or operation shall only be included in the above calculation if EBITDA for such newly acquired Restricted Subsidiary or operation, as the case may be, can be determined by reference to historical financial statements satisfactory to the Administrative Agent; and
- (y) If such newly acquired Restricted Subsidiary or operation:
 - (A) was not, immediately prior to such acquisition, accounted for on a stand-alone basis; or
 - (B) was immediately prior to such acquisition, accounted for on a stand-alone basis but, in the determination of the Administrative Agent acting reasonably, the business of such newly acquired Restricted Subsidiary or operation will not be conducted by

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Celestica or its Restricted Subsidiary, as the case may be, in substantially the same form or the same manner as conducted by the vendor immediately prior to such acquisition,

then subject to the satisfaction of the Administrative Agent and the Majority Lenders with the method of determination thereof acting reasonably, EBITDA for such newly acquired Restricted Subsidiary or operation will be determined having regard to historical financial results together with, and having regard to, contractual arrangements and any other changes made or proposed to be made by Celestica or its Restricted Subsidiary, as the case may be, to the business of such newly acquired Restricted Subsidiary or operation;

“EDC” has the meaning specified in Section 2.22(i);

“**Eligible Hedging Agreement**” means any Hedging Agreement entered into between Celestica and any Lender or any Affiliate of any Lender (collectively, the “**Hedge Lenders**”), provided that any Hedging Agreement entered into by Celestica and any Person at the time that such Person was a “Lender” hereunder shall continue to be an Eligible Hedging Agreement (and such Person shall continue to be a Hedge Lender) notwithstanding that such Person ceases, at any time, to be a “Lender” hereunder;

“**Eligible Hedging Obligations**” means the obligations of Celestica in respect of any Eligible Hedging Agreement;

“**Environmental Laws**” means applicable federal, provincial, state, municipal or other local law, statute, regulation or by-law, code, ordinance, decree, directive, standard, policy, guideline, rule, order, treaty, convention, judgment, award or determination for the protection of the environment or human health or relating to the manufacture, processing, distribution, use, treatment, storage, Release, transport or handling of Hazardous Materials;

“**Equivalent Amount**” on any given date in one currency (the “**first currency**”) of any amount denominated in another currency (the “**second currency**”) means the amount of the first currency which could be purchased with such amount of the second currency at the rate of exchange quoted by the Administrative Agent at 10:00 a.m. (Toronto, Canada time) or, in the case of an Equivalent Amount to be determined in accordance with Article 3 hereof, by the Issuing Bank at 10:00 a.m. (local time in the jurisdiction where the applicable Letter of Credit is issued) on such date for the purchase of the first currency with the second currency;

“**ERISA**” means the United States *Employee Retirement Income Security Act of 1974*;

“**Euro**” means the single currency of the Participating Member States introduced on January 1, 1999;

“**Event of Default**” means any of the events described in Section 10.1;

“**Exempted Jurisdiction**” has the meaning specified in Section 13.12;

“**Existing Credit Agreement**” has the meaning specified in the first recital hereto;

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“**Face Amount**” means, in respect of a Bankers’ Acceptance, the amount payable to the holder thereof on the maturity thereof and means, in respect of a Letter of Credit, the maximum amount payable to a beneficiary thereunder;

“**Facility**” means the revolving term credit facility in an aggregate principal amount of U.S.\$ 300,000,000 to be made available to the Borrowers as set forth in Article 2 as same may be increased subject to the terms set forth herein;

“**Facility Fee**” has the meaning specified in Section 2.14(a) and calculated in accordance with Schedule C;

“**Federal Funds Effective Rate**” means, for any particular day, the variable rate of interest per annum, calculated on the basis of a 360-day year as determined by the Administrative Agent for the actual number of days elapsed, equal to:

- (i) the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers as published for such day (or, if such day is not a Banking Day, for the next preceding Banking Day) by the Federal Reserve Bank of New York, or
- (ii) for any Banking Day on which such rate is not so published by the Federal Reserve Bank of New York, the average of the quotations for such day for such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by the Administrative Agent in consultation with Celestica;

“**Fee Letter**” means the letter dated March 14, 2007 from Canadian Imperial Bank of Commerce to Celestica Inc.;

“**GAAP**” means those Canadian generally accepted accounting principles as now or hereafter adopted by the Canadian Institute of Chartered Accountants or any successor thereto;

“**Global Rateable Portion**” means, with respect to any Lender, at any time, the ratio, expressed as a decimal fraction, of:

- (i) such Lender’s Commitment at such time to

(ii) the aggregate of the Commitments of all of the Lenders at such time;

“**Grantors**” means (i) each Borrower, and (ii) each Restricted Subsidiary with Material Assets located in Canada and/or the United States of America, and “**Grantor**” means any of them;

“**Gross Funded Debt**” of Celestica, on a consolidated basis, means at any particular time and without duplication, the aggregate of:

- (a) the following amounts determined in accordance with GAAP:
 - (i) the outstanding monetary Obligations at such time;

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- (ii) the Capital Lease Obligations outstanding at such time;
- (iii) any other obligations for borrowed money (including, without limitation and without duplication, all obligations (contingent or otherwise) in respect of bankers’ acceptances and letters of credit) outstanding at such time but excluding Permitted Subordinated Indebtedness which, in accordance with GAAP as at the date of each determination, qualifies as equity; and
- (iv) any Acquired Indebtedness outstanding at such time;

plus

- (b) Contingent Liabilities of Celestica or any Restricted Subsidiary of the type referred to in paragraphs (i) to (iii) above, in existence at such time,

but excluding the outstanding amounts under any Permitted Securitization Transaction;

“**Guarantees**” means the guarantees of each of the Guarantors and the Grantors substantially in the form set forth in Schedule H;

“**Guarantor**” means each Person which, on the date of this Agreement, is or, after the date of this Agreement, becomes a Material Restricted Subsidiary and “**Guarantors**” means two or more of them;

“**Hazardous Material**” means any contaminant, pollutant, waste of any nature, hazardous or toxic substance or material or dangerous good as defined, judicially interpreted or identified in any Environmental Law or any substance that causes harm or degradation to the surrounding environment or injury to human health and, without restricting the generality of the foregoing, includes any pollutant, contaminant, waste, hazardous waste, deleterious substance or dangerous good present in such quantity or state that it contravenes any Environmental Laws or gives rise to any liability or obligation under any Environmental Law;

“**Hedge Lenders**” has the meaning specified in the definition of Eligible Hedging Agreements;

“**Hedging Agreements**” means, with respect to any Person, currency swap agreements, interest rate swap agreements, interest rate cap agreements, interest rate collar agreements and all such other agreements or arrangements entered into by such Person, designed to protect such Person against fluctuations in interest rates or currency exchange rates;

“**Hedging Obligations**” means, with respect to any Person, all liabilities of such Person under any Hedging Agreement;

“**Indebtedness**” of any Person means, without duplication:

- (a) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

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- (b) all obligations, contingent or otherwise, relative to the face amount of all letters of credit, whether drawn or undrawn, and bankers’ acceptances issued for the account of such Person;
- (c) all obligations of such Person as lessee under leases which have been or should be, in accordance with GAAP, recorded as Capital Leases, including liabilities in respect of Capital Leases incurred by such Person in connection with sale/leaseback transactions;
- (d) net liabilities of such Person under all Hedging Obligations or net liabilities of such Person under currency, swap, forward or other foreign exchange hedging agreements;
- (e) whether or not so included as liabilities in accordance with GAAP, all obligations of such Person to pay the deferred purchase price of property or services, and indebtedness (excluding prepaid interest thereon), secured by a lien on the property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse;
- (f) all Contingent Liabilities of such Person; and
- (g) any Acquired Indebtedness.

For all purposes of this Agreement, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture in which such Person is a general partner or a joint venturer;

“**Indemnified Person**” has the meaning specified in Section 5.5(b);

“**Indemnifying Party**” has the meaning specified in Section 12.4(c);

“**Indemnitee**” has the meaning specified in Section 12.4(a);

“Interest Expense” means, for any period, the aggregate consolidated interest expense of Celestica on a consolidated basis as determined in accordance with GAAP including the portions of any payment made in respect of Capital Leases allocable to interest expenses but excluding (i) interest expense incurred under any Permitted Securitization Transaction; and (ii) deferred financing costs and other non-cash interest expense;

“Interest Payment Date” shall have the meaning set out in Section 2.9;

“Interest Period” means relative to any LIBOR Advance, Bankers’ Acceptance or Advance by way of an Acceptance Note, the period commencing on (and including) the date on which such LIBOR Advance is made or continued as, or converted into, a LIBOR Advance or such Bankers’ Acceptance or Acceptance Note is issued, and ending on (but excluding) the day which is, in the case of a Bankers’ Acceptance or Acceptance Note, approximately 30, 60, 90 or 180 days thereafter, or which in the case of any LIBOR Advance, numerically corresponds to such date one, two, three or six months thereafter (or, if such month has no numerically corresponding

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date, on the last Banking Day of such month), in each case as the Borrower may select; provided, however, that:

- (a) if such Interest Period would otherwise end on a day which is not a Banking Day, such Interest Period shall end on the next following Banking Day (unless, if such Interest Period applies to LIBOR Advances, and such next following Banking Day is the first Banking Day of a calendar month, in which case such Interest Period shall end on the Banking Day next preceding such numerically corresponding day);
- (b) the Borrowers shall not be permitted to select, collectively or in the aggregate, Interest Periods to be in effect at any one time which have expiration dates occurring on more than ten different dates, unless otherwise previously consented to in writing by the Administrative Agent; and
- (c) no Interest Period may end later than the Maturity Date;

“Issuance Request” means a request and certificate duly executed by an authorized officer of Celestica in substantially the form of Schedule K attached hereto;

“Issuing Bank” means CIBC or such other Lender as Celestica may designate with such Lender’s agreement from time to time;

“ITA” has the meaning specified in Section 5.1;

“Joint Lead Arrangers” means CIBC World Markets and RBC Capital Markets;

“LC Fee” has the meaning specified in Schedule C;

“Lenders” means (i) the financial institutions set out in Schedule A to this Agreement; and (ii) any assignee under a Transfer Notice in accordance with Section 13.11, and “Lender” shall mean any such financial institution;

“Lenders’ Counsel” means the firm of Osler, Hoskin & Harcourt LLP, Toronto, Ontario, or such other firm of legal counsel as the Administrative Agent may from time to time designate;

“Letter of Credit” means a standby letter of credit or a letter of guarantee issued by an Issuing Bank at the request of Celestica pursuant to Section 3.1;

“Letter of Credit Availability” means U.S.\$75,000,000;

“LIBO Rate” means, relative to any LIBOR Advance:

- (a) the rate of interest per annum of the offered quotations for deposits in United States Dollars for a period equal or comparable to the Interest Period in an amount comparable to the Advance as such rate is reported on the display designated as “Reuter Screen LIBOR1 Page” (or any replacement pages) by Reuters Money Market Service (or its successor) (or such other company or service as may be nominated by the British Bankers’ Association as the information vendor for the purpose of displaying British Bankers’ Association Interest Settlement Rates for

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deposits in United States Dollars) at or about 10:00 a.m. (London, England time) on the applicable Rate Fixing Day; or

- (b) if a rate cannot be determined under paragraph (a) above, the rate determined by the Administrative Agent to be the arithmetic average (rounded up if necessary, to the nearest 1/16 of 1%) of such rates as reported on the LIBO page by Reuters Money Market Service (or its successor) for a period equal to or comparable to the Interest Period and in an amount comparable to the Advance at or about 10:00 a.m. (London, England time) on the applicable Rate Fixing Day provided that at least two such rates are reported on such page; or
- (c) if a rate cannot be determined under either of paragraphs (a) and (b) above, the rate determined by the Administrative Agent for a particular Interest Period to be the arithmetic average of the rates per annum at which deposits in United States Dollars in immediately available funds are offered by prime London banks to the LIBOR Offices in the London interbank market for a period equal to or comparable to the Interest Period and an amount comparable to the Advance at or about 10:00 a.m. (London, England time) on the applicable Rate Fixing Day.

For the purposes of this definition, **“Rate Fixing Day”** means in respect of each Interest Period, the second Banking Day before the first day of such Interest Period;

“LIBOR Advance” means a loan made by the Lenders to a Borrower on which interest is payable at the LIBO Rate plus the Applicable Margin;

“LIBOR Office” means, relative to any Lender, the office of such Lender designated as such in Schedule A, if applicable, or designated in the Transfer Notice by which a financial institution becomes a Lender pursuant to Section 13.11, or such other office of a Lender (or any successor, assign or Affiliate of such Lender) as designated from time to time by notice from such Lender to Celestica and the Administrative Agent, whether or not outside Canada, which may be making or maintaining the LIBOR Advances of such Lender;

“Liens” means any security interest, mortgage, pledge, hypothec, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or otherwise) or charge against or interest in property to secure payment of a debt or performance of an obligation (including the interest of a vendor or lessor under any conditional sale agreement, or of a lessor under any lease including a Capital Lease or other title retention agreement);

“**Loan Documents**” means (i) this Agreement, (ii) the Guarantees, (iii) the other Security Documents, (iv) the Designated Subsidiary Agreements provided for herein, and (v) all other agreements, documents or instruments to be executed and delivered to the Administrative Agent, the Lenders or any of them by the Borrowers, the Grantors, the Guarantors or any of them hereunder or thereunder or pursuant hereto or thereto;

“**Losses**” has the meaning specified in Section 12.4(a);

“**Main Facility Commitment**” means, at any time, the amount, if any, by which the Commitment of the Swing Line Lender exceeds the Available Swing Line Commitment at that time;

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“**Main Facility Rateable Portion**” means, with respect to any Lender, at any time, subject to adjustment by the Administrative Agent in accordance with Section 11.16 of this Agreement and also subject to Sections 2.3 and 4.1 of this Agreement, the ratio, expressed as a decimal fraction, of;

- (i) such Lender’s Commitment at such time (or, if such Lender is the Swing Line Lender, the Main Facility Commitment) to
- (ii) the aggregate of the Commitments of all of the Lenders (other than the Swing Line Lender) at such time and the Main Facility Commitment at such time;

“**Majority Lenders**” means the Lenders, the Commitments of which account in the aggregate for more than 51% of the aggregate amount of Commitments;

“**Mandatory Cost**” means, in relation to a LIBOR Advance, an amount determined in accordance with Schedule N;

“**Material Adverse Change**” means any change of circumstances or any event which would reasonably be likely to have a Material Adverse Effect;

“**Material Adverse Effect**” means a material adverse effect on (a) the business, assets, operations, prospects or condition, financial or otherwise, of Celestica and of the Restricted Subsidiaries taken as a whole, or (b) the ability of any Borrower to perform any of its Obligations, or (c) the rights of the Administrative Agent and the Lenders against the Obligors on a consolidated basis pursuant to the Loan Documents;

“**Material Assets**” means, in respect of a Borrower or a Restricted Subsidiary, assets owned by such Borrower or Restricted Subsidiary having an aggregate book value of more than U.S. \$50,000,000, on the date referenced in the most recent set of financial statements delivered pursuant to Section 9.1(a)(i), and in the event that a Restricted Subsidiary has Material Assets located in Canada and/or the United States of America on the date referenced in such financial statements, Celestica shall set out the name of such Restricted Subsidiary in a Schedule to the Officer’s Certificate to be delivered with such financial statements in accordance with Section 9.1(a)(iii);

“**Material Restricted Subsidiary**” means (i) each Designated Subsidiary and (ii) any other Restricted Subsidiary of Celestica whose assets total greater than U.S. \$150,000,000 on an unconsolidated basis on the date referenced in the most recently delivered set of financial statements delivered pursuant to Section 9.1(a)(i); provided, however, that, subject to Section 8.4(c), the unconsolidated assets of all Restricted Subsidiaries which are not Material Restricted Subsidiaries shall not exceed on the date referenced in such financial statements, in the aggregate, ten per cent (10%) of the unconsolidated assets of the Borrowers and the Restricted Subsidiaries on such date, and in the event that (a) a Restricted Subsidiary has assets greater than U.S. \$150,000,000 on the date referenced in such financial statements, or (b) the unconsolidated assets of all Restricted Subsidiaries which are not Material Restricted Subsidiaries exceeds, on the date referenced in such financial statements, in the aggregate, ten percent (10%) of the unconsolidated assets of the Borrowers and Restricted Subsidiaries, Celestica shall set out in a Schedule to the Officer’s Certificate to be delivered with such financial statements in accordance

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with Section 9.1(a)(iii): (x) the name of each Restricted Subsidiary whose assets total greater than U.S. \$150,000,000 on such date; and (y) the Restricted Subsidiaries which it wishes to designate as Material Restricted Subsidiaries such that unconsolidated assets of all of the Restricted Subsidiaries which are not Material Restricted Subsidiaries shall not exceed ten percent (10%) of the unconsolidated assets of the Borrowers and Restricted Subsidiaries on such date;

“**Maturity Date**” means the second anniversary of the date of this Agreement;

“**Moody’s**” means Moody’s Investors Service, Inc.;

“**Net Income**” means, for any particular period, net income of Celestica for such period determined on a consolidated basis in accordance with GAAP;

“**New Issuance**” has the meaning specified in Section 9.3(c);

“**Non-Domestic Material Restricted Subsidiary**” means a Material Restricted Subsidiary that is not a Domestic Material Restricted Subsidiary;

“**Non-Schedule I Lenders**” means Lenders which are not Canadian chartered banks that are listed on Schedule I to the *Bank Act* (Canada);

“**Notice of Amount**” has the meaning specified in Section 5.2;

“**Notice of Swing Line Borrowing**” means a notice substantially in the form set out in Exhibit 2 to Schedule G;

“**Notification Date**” has the meaning specified in Section 12.5(c);

“**Notional BA Proceeds**” means, with respect to a Bankers’ Acceptance Advance, the aggregate Face Amount of the Bankers’ Acceptances or principal amount of the Acceptance Notes comprising such Bankers’ Acceptance Advance, if applicable, less the aggregate of:

- (a) a discount from the aggregate face amount of such Bankers’ Acceptances or principal amount of such Acceptance Notes, if applicable, calculated in accordance with normal market practices based on the Canadian BA Rate for the term of such Bankers’ Acceptances or Acceptance Notes, if applicable; and
- (b) the amount of the acceptance fees determined in accordance with Section 4.2 in respect of such Bankers’ Acceptance Advance;

“**Obligations**” means all obligations (monetary and otherwise) arising under or in connection with this Agreement and each other Loan Document;

“**Obligors**” means, collectively, the Borrowers, the Grantors and the Guarantors and “**Obligor**” means any one of them;

“**Officer’s Certificate**” means a certificate signed by any one of the Chairman of the Board, the President, the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer,

any Senior Vice-President, any Vice-President, the Treasurer, the Controller, the Assistant Treasurer, the Secretary or the Assistant Secretary of Celestica;

“Official Body” means any national, federal or provincial government or any government of any political subdivision thereof, or any agency, authority, board, central bank, monetary authority, commission, department or instrumentality thereof, or any court, tribunal, grand jury, mediator or arbitrator, whether foreign or domestic, or any non-governmental regulatory authority to the extent that the rules, regulations and orders of such body have the force of law;

“Organic Document” means, relative to any body corporate, its articles of incorporation, its by-laws and all shareholder agreements, voting trusts and similar arrangements applicable to any of its Shares;

“Other Taxes” means any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, any of the Loan Documents, or any other document in connection herewith;

“Outstanding Amount” has the meaning specified in Section 2.3(c);

“Participating Member State” means a member state of the European Communities that adopts or has adopted the Euro as its lawful currency under the legislation of the European Union for European Monetary Union;

“PBGC” means the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA;

“Pension Plan” means:

- (a) any plan, program, agreement or arrangement that is a pension plan for the purposes of any federal or provincial pension benefit law or under the *Income Tax Act* (Canada) (whether or not registered under such law) which is maintained or contributed to, or to which there is or may be an obligation to contribute by any of Borrowers in respect of its employees in Canada; and
- (b) a **“pension plan”**, as such term is defined in Section 3(2) of ERISA, which is subject to Title IV of ERISA (other than a multi-employer plan as defined in Section 4001(a)(3) of ERISA), and to which the Borrowers or any of the Subsidiaries or any corporation, trade or business that is, along with the Borrowers, a member of a Controlled Group, may have liability;

“Permitted Encumbrances” means any one or more of the following with respect to the assets of Celestica or any Restricted Subsidiary:

- (a) inchoate or statutory Liens for Taxes, assessments and other governmental charges or levies which are not delinquent (taking into account any relevant grace period or the validity of which are currently being contested in good faith by appropriate proceedings and in respect of which there shall have been set aside a

provision or reserve (to the extent required by GAAP) in an amount which is adequate therefor;

- (b) inchoate or statutory Liens of contractors, sub-contractors, mechanics, workers, suppliers, materialmen, carriers and others in respect of construction, maintenance, repair or operation of assets of Celestica or the relevant Restricted Subsidiary, or otherwise arising in the ordinary course provided that such Liens are related to obligations not due or delinquent (taking into account any applicable grace or cure periods), are not registered as encumbrances against title to any of the assets of Celestica or the relevant Restricted Subsidiary and adequate holdbacks are being maintained as required by applicable legislation or such Liens are being contested in good faith by appropriate proceedings and in respect of which there shall have been set aside a provision or reserve (to the extent required by GAAP) in an amount which is adequate with respect thereto and provided further that such Liens do not, in the aggregate, materially detract from the value of the assets of Celestica or any Material Restricted Subsidiary or any Grantor encumbered thereby or materially interfere with the use thereof in the operation of the business of Celestica or any Material Restricted Subsidiary or any Grantor;
- (c) easements, rights-of-way, servitudes, restrictions and similar rights in real property comprised in the assets of Celestica or the relevant Restricted Subsidiary or interests therein granted or reserved to other persons, provided that such rights do not, in the aggregate, materially detract from the value of the assets of Celestica or any Material Restricted Subsidiary or any Grantor or materially interfere with the use thereof in the operation of the business of Celestica or any Material Restricted Subsidiary or any Grantor;
- (d) title defects or irregularities which are of a minor nature and which do not, in the aggregate, materially detract from the value of the assets of Celestica or any Material Restricted Subsidiary or any Grantor or materially interfere with the use thereof in the operation of the business of Celestica or any Material Restricted Subsidiary or any Grantor;
- (e) Liens incidental to the conduct of the business or the ownership of the assets of Celestica or the relevant Restricted Subsidiary (other than those described in (f) and (g) of this definition) which were not incurred in connection with the borrowing of money or the obtaining of advances of credit (including, without limitation, unpaid purchase price), and which do not, in the aggregate, materially detract from the value of the assets of Celestica or any Material Restricted Subsidiary or any Grantor or materially interfere with the use thereof in the operation of the business of Celestica or any Material Restricted Subsidiary or any Grantor;
- (f) Liens securing appeal bonds or other similar Liens arising in connection with court proceedings (including, without limitation, surety bonds, security for costs of litigation where required by law and letters of credit) or any other instrument serving a similar purpose;

- (g) attachments, judgments and other similar Liens arising in connection with court proceedings; provided, however, that such Liens are in existence for less than 30 days after the entry thereof or the execution or other enforcement of such Liens is effectively stayed and the claims secured thereby are being actively contested in good faith and by appropriate proceedings;
- (h) Liens given to a public utility or any municipality or governmental or other public authority when required by such utility or other authority in connection with the operation of the business or the ownership of the assets of Celestica or the relevant Restricted Subsidiary, provided that such Liens do not have a Material Adverse Effect;
- (i) Purchase Money Obligations arising in the ordinary course of business, provided that such Lien is limited to the property so acquired and is created, issued or

assumed substantially concurrently with the acquisition of such property;

- (j) the right reserved to or vested in any Official Body by any statutory provision or by the terms of any lease, licence, franchise, grant or permit of any of Celestica or the relevant Restricted Subsidiary, to terminate any such lease, licence, franchise, grant or permit, or to require annual or other payments as a condition to the continuance thereof;
- (k) the interests of lessors (including without limitation, security interests granted in favour of lessors) pursuant to all leases, including Capital Leases and synthetic leases, under which Celestica or the relevant Restricted Subsidiary is the lessee;
- (l) the extension, renewal or refinancing of any Permitted Encumbrance, provided that the amount so secured does not exceed the original amount secured immediately prior to such extension, renewal or refinancing;
- (m) Liens granted in connection with any Permitted Securitization Transaction to the extent required to permit the operation of such Permitted Securitization Transaction facility which, for greater certainty, includes the Liens granted in connection with the DB Receivables Purchase Agreement;
- (n) Liens granted by Celestica and/or any Restricted Subsidiary pursuant to future subsidized financing by development entities on terms and conditions satisfactory to the Administrative Agent and the Majority Lenders;
- (o) Liens granted to secure Acquired Indebtedness, to the extent that (i) such Liens exist at the time such person or the assets subject to such Lien are acquired by Celestica or a Restricted Subsidiary; (ii) such Liens were not created in contemplation of the transaction by which the subject Indebtedness became Acquired Indebtedness; and (iii) such Liens either (A) only extend to the assets acquired or the assets of the Person acquired, as applicable, in the transaction pursuant to which the Acquired Indebtedness became an obligation of a Borrower or a Restricted Subsidiary or (B) are discharged within 60 days of such acquisition;

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- (p) Liens granted in respect of Shares of Unrestricted Subsidiaries;
 - (q) Liens of the nature contemplated in (b), (c), (d) or (e) above, but exceeding the materiality thresholds specified therein, securing indebtedness in the aggregate not greater than U.S.\$50,000,000;
 - (r) Liens in favour of the Administrative Agent, on behalf of any Issuing Bank, or any one of them, arising in connection with any collateral security provided in connection with the cash collateralization of Letters of Credit pursuant to the terms of this Agreement;
 - (s) Liens in favour of the Administrative Agent, on behalf of itself, the Lenders and the Hedge Lenders, granted pursuant to this Agreement or any other Loan Document;
 - (t) Liens in favour of The Bank of Nova Scotia securing payment of the obligations of Celestica arising pursuant to the ISDA Master Agreement dated as of June 1, 2004 and the confirmation dated June 16, 2004, between Celestica and The Bank of Nova Scotia (collectively, the “**Scotiabank Hedge**”), provided that such Liens secure payment of liabilities arising under the Scotiabank Hedge and no other liabilities now or in the future owing by Celestica or any of its Subsidiaries to The Bank of Nova Scotia;
 - (u) Liens in favour of Wachovia Bank, National Association securing payment of the obligations of Celestica arising pursuant to the ISDA Master Agreement dated as of June 10, 2004 and the confirmation dated October 8, 2004, between Celestica and Wachovia Bank, National Association (collectively, the “**Wachovia Hedge**”) provided that such Liens secure payment of liabilities arising under the Wachovia Hedge and no other liabilities now or in the future owing by Celestica or any of its Subsidiaries to Wachovia Bank, National Association;
 - (v) Liens not of the nature contemplated in (a) to (p) above, securing indebtedness in the aggregate not greater than U.S.\$15,000,000; and
 - (w) Liens comprised of execution numbers 05-0001345 and 06-0004069 issued in connection with Superior Court of Justice, Ontario file numbers 03CV255331SR and 01CV213903CM; provided that the claims secured thereby do not exceed, in the aggregate, CDN.\$75,000 plus interest accrued thereon;

“**Permitted Encumbrance Certificate**” means a certificate in the form of Schedule P;

“**Permitted Securitization Transaction**” means the transactions contemplated under the DB Receivables Purchase Agreement and any transaction providing for the sale, securitization or other asset-backed financing (collectively, “Securitization Transactions”) of trade accounts receivable of or owing to Celestica or any Restricted Subsidiary (and/or contractual rights relating thereto). The terms and conditions of all Permitted Securitization Transactions shall be on an Arm’s Length basis and on commercially reasonable and usual terms (except any interim transfer or sale to an Unrestricted Subsidiary made in the course of a Permitted Securitization Transaction which results in a sale, securitization or other asset-backed financing by such

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Unrestricted Subsidiary on an Arm’s Length basis and on commercially reasonable terms). Except to the extent mandated under any Permitted Securitization Transaction, no new assets may become Securitized Assets during the occurrence and continuance of a Default unless (a) there are no monetary Obligations outstanding under this Agreement or (b) the only monetary Obligations outstanding under this Agreement are one or more Letters of Credit and such Letters of Credit are cash collateralized by a Borrower;

“**Permitted Subordinated Indebtedness**” means all unsecured Indebtedness of Celestica, which, in respect of principal, is subordinated in right of payment to the payment in full in cash of all monetary Obligations and, in respect of interest, is only so subordinated upon the occurrence and during the continuance of a Default, in each case, on terms satisfactory to the Administrative Agent and the Majority Lenders, and the terms of which permit Celestica at Celestica’s sole option in all circumstances to satisfy such indebtedness by the issue of Shares or other securities convertible in all circumstances at the sole option of Celestica into Shares of Celestica;

“**Person**” means an individual, company, partnership (whether or not having separate legal personality), corporation (including a business trust and a Canadian chartered bank), joint stock company, trust, unincorporated association, joint venture or other entity, or a government, state or political subdivision thereof or any agency of such government, state or political subdivision;

“**Pledge Agreement**” means (i) pledge agreements pledging all of the Pledged Shares of each Domestic Material Restricted Subsidiary directly held by the applicable Grantor, substantially in the form set forth in Schedule U, and (ii) subject to consultation with local legal counsel to the Administrative Agent and Lenders with respect to the pledge of any Pledged Shares of a Non-Domestic Material Restricted Subsidiary or by a Grantor that is not a Domestic Restricted Subsidiary, a pledge agreement governed by the laws of the jurisdiction of formation of such Non-Domestic Material Restricted Subsidiary and/or such Grantor (or, if such jurisdiction of formation is a state of the

United States, such pledge agreement shall be governed by the laws of the State of New York), as the case may be, such pledge agreements to be in form and substance satisfactory to the Lenders' Counsel and such local legal counsel, each acting reasonably;

"Pledged Shares" means the Shares in the capital of a Material Restricted Subsidiary;

"Pounds Sterling" and **"£"** means the lawful currency of the United Kingdom;

"Predecessor Corporation" has the meaning described thereto in Section 13.12;

"Predecessor Guarantee" has the meaning described thereto in Section 13.12;

"Prime Rate" means the greater of (i) the variable rate of interest per annum, expressed on the basis of a year of 365 or 366 days, as the case may be, established or quoted from time to time by the Administrative Agent as the reference rate of interest then in effect for determining interest rates on Canadian Dollar denominated commercial loans made by it in Canada and (ii) the sum of (x) the rate per annum for Canadian Dollar bankers' acceptances having a term of 30 days that appears on the display page designated as the CDOR Page (or any replacement page) by Reuters Money Market Service (or its successor) as of 10:00 a.m. on the date of determination as reported by the Administrative Agent, and (y) ½ of 1% per annum;

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"Prime Rate Advance" means a loan made by the Lenders to a Borrower in Canadian Dollars on which interest is payable based on the Prime Rate plus the Applicable Margin;

"Property" has the meaning ascribed thereto in Section 12.5;

"Purchase Money Obligations" means any Lien created, issued or assumed by Celestica or any Subsidiary to secure indebtedness assumed as part of, or issued or incurred to pay or provide funds to pay, all or a part of the purchase price of any property (other than the shares, stock or other securities of any Subsidiary or of any corporation which becomes a Subsidiary upon such purchase, except for an Unrestricted Subsidiary);

"Reimbursement Obligation" has the meaning specified in Section 3.4;

"Release" has the meaning specified in Section 8.1(h)(i);

"Relevant Period" has the meaning specified in Section 2.14(a);

"Restricted Subsidiary" means each and every Subsidiary of Celestica which is not at the time an Unrestricted Subsidiary. For greater certainty, a Subsidiary of an Unrestricted Subsidiary shall not be a Restricted Subsidiary;

"Rollover" means a rollover of a LIBOR Advance or a Bankers' Acceptance pursuant to and in accordance with Sections 2.12, 4.4 and 4.5;

"Rollover Notice" means a notice substantially in the form of Schedule I;

"Schedule I Lenders" means Lenders which are Canadian chartered banks that are listed on Schedule I to the *Bank Act* (Canada);

"Securitized Assets" means assets securitized under Permitted Securitization Transactions and includes:

- (a) an account receivable arising from a sale of goods by Celestica or a Subsidiary of Celestica which is the subject of a Permitted Securitization Transaction (a "Securitized Receivable");
- (b) the interest of Celestica or any Subsidiary of Celestica in any goods (including returned goods), and documentation of title evidencing the shipment or storage of any goods (including returned goods), relating to any sale by Celestica or any Subsidiary of Celestica giving rise to such Securitized Receivable;
- (c) all guarantees, indemnities, letters of credit, insurance and other agreements (including any and all contracts, understandings, instruments, agreements, leases, invoices, notes or other writings pursuant to such Securitized Receivable arises or which evidences such Securitized Receivable or under which the applicable customer becomes or is obligated to make payment to Celestica or a Subsidiary of Celestica in respect of such Securitized Receivable) or arrangements of whatever character from time to time supporting or securing payment of such Securitized Receivable;

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- (d) all collections and other proceeds received and payment or application by Celestica or a Subsidiary of Celestica of any amounts owed in respect of Securitized Receivables, including, without limitation, purchase price, finance charges, interests, and all other similar charges which are net proceeds of the sale or other disposition of repossessed goods or other collateral or property available to be applied thereon; and
- (e) all proceeds of, and all amounts received or receivable under, any or all of the foregoing;

"Security" means the security interests granted by a Grantor in the assets and property of such Grantor in favour of the Administrative Agent on behalf of itself, the Lenders and the Hedge Lenders to secure the payment and performance of its Obligations and its Eligible Hedging Obligations, for so long as such security interests have not been released pursuant to Section 7.3, 9.1(p) or 13.12;

"Security Agreement" means the general security agreement substantially in the form set forth in Schedule T;

"Security Documents" means the guarantee and security documentation provided from time to time by each Grantor to the Administrative Agent on behalf of itself, the Lenders and the Hedge Lenders, pursuant to this Agreement to secure the payment and performance by such Grantor of its Obligations and its Eligible Hedging Obligations, including (i) the Guarantee required pursuant to Section 9.1(p)(ii) or previously provided (as amended and confirmed) by any Grantor (which Guarantee has not been released in accordance with the terms of this Agreement), as applicable; (ii) the Security Agreement; (iii) the Pledge Agreement; and (iv) any hypothecs and other documentation necessary or desirable under the laws of Quebec;

"Shares", as applied to the shares of any corporation or other entity, means the shares or other ownership interests of every class whether now or hereafter authorized, regardless of whether such shares or other ownership interests shall be limited to a fixed sum or percentage with respect to the rights of the holders thereof to participate in dividends and in the distribution of assets upon the voluntary or involuntary liquidation, dissolution or winding-up of such corporation or other entity;

“**Standard & Poor’s**” means Standard & Poor’s Ratings Services (a division of The McGraw-Hill Companies, Inc.);

“**Stated Expiry Date**” has the meaning specified in Section 3.1(b);

“**Subsidiary**” means, with respect to any Person, any corporation, company or other similar business entity (including, for greater certainty, a Canadian chartered bank) of which more than fifty per cent (50%) of the outstanding Shares or other equity interests (in the case of Persons other than corporations) having ordinary voting power to elect a majority of the board of directors or the equivalent thereof of such corporation, company or similar business entity (irrespective of whether at the time Shares of any other class or classes of the Shares of such corporation, company or similar business entity shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned by such Person, by

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such Person and one or more other Subsidiaries of such Person, or by one or more other Subsidiaries of such Person;

“**Substitute Lenders**” has the meaning specified in Section 11.14;

“**Successor Agent**” has the meaning specified in Section 11.10;

“**Successor Corporation**” has the meaning specified in Section 13.12(a);

“**Super Majority Lenders**” means the Lenders, the Commitments of which account in the aggregate for more than 72% of the aggregate amount of the Commitments;

“**Swing Line Advance**” means an Advance made pursuant to the provisions of Section 2.22(a);

“**Swing Line Lender**” means CIBC or such other Lender as may have agreed to act as a Swing Line Lender and to which CIBC and Celestica may have agreed to acting as a Swing Line Lender from time to time.

“**Take-over Bid**” means an offer to acquire made by Celestica or any Restricted Subsidiary, alone or acting jointly or in concert with any other Person or Persons (collectively, the “**offeror**”) to any holder of Shares or securities convertible, exchangeable or exercisable into Shares (the “**Target Shares**”) of the offeree issuer, which has not been solicited by or made at the request of the board of directors of the offeree issuer or with respect to which the board of directors of the offeree issuer has not recommended acceptance, where the Target Shares subject to the offer to acquire, together with the Target Shares held by or on behalf of the offeror on the date of the offer, constitute, in aggregate, 20% (or such lesser percentage as would require compliance with the formal requirements governing take-over bids (such as the delivery of circulars or equivalent disclosure documents to shareholders under Applicable Law)) or more of the outstanding Target Shares at the date of the offer to acquire, but excluding any such offer which, under the Applicable Law of the jurisdiction in which such offer is made, would be exempt from such formal requirements;

“**Take-over Bid Notice**” has the meaning specified in Section 2.3(d);

“**Taxes**” includes all present and future income, corporation, capital gains, capital and value-added and goods and services taxes and all stamp, franchise and other taxes and levies, imposts, deductions, duties, charges and withholdings whatsoever together with interest thereon and penalties with respect thereto, if any, and charges, fees and other amounts made on or in respect thereof;

“**Toronto Office**” means the office of the Administrative Agent located at 161 Bay Street, BCE Place, 8th Floor, Toronto, Ontario, Canada M5J 2S8 (facsimile: 416-956-3830) or such other address as either of the Administrative Agent may designate by notice to Celestica;

“**Transfer Notice**” means a notice substantially in the form of Schedule J;

“**Trigger Event**” means the occurrence of a Debt Rating Downgrade after the Security has been released in accordance with Section 9.1(p)(v);

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“**United States Dollars**” and “**U.S.\$**” means the lawful currency of the United States of America in immediately available funds;

“**Unrestricted Subsidiary**” means a Subsidiary of Celestica designated by Celestica as such in accordance with Section 7.4 of this Agreement and any Subsidiary of an Unrestricted Subsidiary;

“**Upfront Fee**” has the meaning specified in Section 2.14(c);

“**US Grantor**” means a Grantor that was incorporated, continued, amalgamated, merged or otherwise created in accordance with and continues to be governed by the laws of any state of the United States of America; and

“**Utilization Fee**” has the meaning specified in Section 2.14(b) and calculated in accordance with Schedule C.

1.2 Headings

The division of this Agreement into Articles and Sections and the insertion of an index and headings are for convenience of reference only and shall not affect the construction or interpretation hereof. The terms “**this Agreement**”, “**hereof**”, “**hereunder**” and similar expressions refer to this Agreement and not to any particular Article, Section, paragraph or other portion hereof and include any agreement supplemental hereto. Save as expressly provided herein, references herein to Articles and Sections are to Articles and Sections of this Agreement.

1.3 Use of Defined Terms

Unless otherwise defined or the context otherwise requires, terms for which meanings are provided in this Agreement shall have such meanings when used in each Drawdown Notice, Conversion Notice, Rollover Notice, Loan Document, notice and other communication delivered from time to time in connection with this Agreement or any other Loan Document.

1.4 Extended Meanings

Words importing the singular number only shall include the plural and *vice versa*, and words importing any gender shall include all genders.

1.5 Cross References

Unless otherwise specified, references in this Agreement and in each other Loan Document to any Article or Section are references to such Article or Section of this Agreement or such other Loan Document, as the case may be, and unless otherwise specified references in the Article, Section or definition to any Clause are references to such Clause of such Article, Section or definition.

1.6 Reference to Agents or Lenders

Any reference in this Agreement to an Agent or a Lender shall be construed so as to include its permitted successors, transferees or assigns hereunder in accordance with their respective interests.

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1.7 Accounting Terms

Unless otherwise specified, all accounting terms used herein or in any other Loan Document shall be interpreted, all accounting determinations and computations hereunder or thereunder shall be made, and all financial statements required to be delivered hereunder or thereunder shall be prepared in accordance with GAAP and all financial data submitted pursuant to this Agreement shall be prepared in accordance with such principles, consistently applied; provided that, if Celestica notifies the Administrative Agent that it wishes to amend any covenant in Section 9.3 to eliminate the effect of any change in GAAP or any change in the application of accounting policies on the operation of such covenant (or the Administrative Agent notifies Celestica that the Majority Lenders wish to amend Section 9.3 for such purpose), Celestica's compliance with such covenant shall be determined on the basis of GAAP or accounting policies in effect immediately before the relevant change in GAAP or change in accounting policies became effective, until either such notices are withdrawn or such covenant is amended in a manner satisfactory to Celestica, the Administrative Agent and the Majority Lenders.

1.8 Consolidated Financial Statements and Consolidated Accounts

Notwithstanding Section 1.7, wherever in this Agreement reference is made to a consolidated financial statement of Celestica or to a determination to be made on a consolidated basis, such reference shall be deemed to be to a consolidated financial statement or consolidated basis, determined in accordance with GAAP, which consolidates only the financial statements or accounts of Celestica and its Subsidiaries, excluding all Unrestricted Subsidiaries, with investments by Celestica or any Restricted Subsidiary in Unrestricted Subsidiaries accounted for using equity accounting. At any time that Celestica and all Restricted Subsidiaries have no Unrestricted Subsidiaries, all references to consolidated financial statements herein shall be deemed to be references to the fully consolidated financial statements of Celestica.

1.9 Non-Banking Days

Except as otherwise specified herein, whenever any payment to be made hereunder shall be stated to be due or any action to be taken hereunder shall be stated to be required to be taken on a day other than a Banking Day, such payment shall be made or such action shall be taken on the next succeeding Banking Day and, in the case of the payment of any monetary amount, the extension of time shall be included for the purposes of computation of interest or fees thereon.

1.10 References to Time of Day

Except as otherwise specified herein, a time of day shall be construed as a reference to Toronto, Canada time.

1.11 Severability

In the event that one or more of the provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect under any Applicable Law, the validity, legality or enforceability of the remaining provisions hereof shall not be affected or impaired thereby.

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1.12 Currency

All monetary amounts in this Agreement refer to United States Dollars unless otherwise specified.

1.13 References to Statutes

Except as otherwise provided herein, any reference in this Agreement to a statute shall be construed to be a reference to such statute as the same may have been, or may from time to time be, amended, reformed or otherwise modified or re-enacted from time to time.

1.14 References to Agreements

Except as otherwise provided herein, any reference herein to this Agreement, any other Loan Document or any other agreement or document shall be construed to be a reference to this Agreement, such Loan Document or such other agreement or document, as the case may be, as the same may have been, or may from time to time be, amended, restated, extended, supplemented or replaced.

1.15 Consents and Approvals

Whenever the consent in writing or approval in writing of a party hereto is required in a particular circumstance, unless otherwise expressly provided for therein, such consent or approval shall not be unreasonably withheld or delayed by such party.

1.16 Schedules

The following are the Schedules attached hereto and incorporated by reference and deemed to be part hereof:

| | | |
|------------|---|---|
| Schedule A | - | Lenders |
| Schedule B | - | Lenders' Commitments |
| Schedule C | - | Applicable Margin, Facility Fee, Utilization Fee and LC Fee |
| Schedule D | - | Quarterly Certificate on Covenants |
| Schedule E | - | Conversion Notice |
| Schedule F | - | Designated Subsidiary Agreement |
| Schedule G | - | Drawdown Notice and Notice of Swing Line Borrowing |
| Schedule H | - | Guarantees |

| | | |
|------------|---|-----------------------------------|
| Schedule I | - | Rollover Notice |
| Schedule J | - | Transfer Notice |
| Schedule K | - | Issuance Request |
| Schedule L | - | Acceptance Note |
| Schedule M | - | Consent Lender Notice |
| Schedule N | - | Mandatory Cost Calculation |
| Schedule O | - | [Intentionally deleted] |
| Schedule P | - | Permitted Encumbrance Certificate |

| | | |
|------------|---|--------------------------------|
| Schedule Q | - | [Intentionally deleted] |
| Schedule R | - | Permitted Dissolutions |
| Schedule S | - | Permitted Mergers |
| Schedule T | - | Security Agreement |
| Schedule U | - | Pledge Agreement |

ARTICLE 2 THE FACILITY

2.1 Establishment of the Facility

Upon the terms and subject to the conditions hereof, each of the Lenders hereby severally agrees to make its Global Rateable Portion or its Main Facility Rateable Portion, as applicable, of the Facility available to the Borrowers as specified in Sections 2.2, 2.3 and 2.22.

2.2 Purpose, Nature and Term of the Facility

- (a) The Facility is being made available to the Borrowers by the Lenders for the business and operations of the Borrowers and their respective Restricted Subsidiaries, including, without limitation and for greater certainty, to finance acquisitions of companies which, after the acquisition thereof, will become Restricted Subsidiaries or assets which, after the acquisition thereof, will be owned by Celestica or a Restricted Subsidiary.
- (b) Advances under the Facility shall not be used by any Borrower to finance the acquisition of, investment in, loan to or to provide working capital to an Unrestricted Subsidiary. Letters of Credit shall not be available to support or secure any Indebtedness of an Unrestricted Subsidiary, including, without limitation, a loan or other advance to an Unrestricted Subsidiary.
- (c) Subject to the terms and conditions of this Agreement (including, without limitation, Section 2.8) the Facility shall be a revolving credit facility and the Borrowers may borrow, repay and reborrow under the Facility as they see fit at any time prior to the Maturity Date. The Facility shall terminate on the Maturity Date.

2.3 Availability of Advances

- (a) The Facility shall be available for Drawdowns by the Borrowers, at the option of the Borrowers, as follows:
 - (i) to Celestica or any Designated Subsidiary, Drawdowns from Lenders, each in a minimum amount of Cdn.\$ 5,000,000 and integral multiples of Cdn.\$ 100,000 in excess thereof, in Canadian Dollars by way of Prime Rate Advances;

- (ii) to Celestica or any Designated Subsidiary, Drawdowns from Lenders, each in a minimum amount of Cdn.\$ 5,000,000 and integral multiples of Cdn.\$ 100,000 in excess thereof, in Canadian Dollars by way of Bankers' Acceptance Advances;
 - (iii) to Celestica or any Designated Subsidiary, Drawdowns from Lenders, each in a minimum amount of U.S.\$ 5,000,000 and integral multiples of U.S.\$ 100,000 in excess thereof, in United States Dollars by way of Base Rate Canada Advances;
 - (iv) to Celestica or any Designated Subsidiary, Drawdowns from Lenders, each in a minimum amount of U.S.\$ 5,000,000 and integral multiples of U.S.\$ 100,000 in excess thereof, in United States Dollars by way of LIBOR Advances; and
 - (v) to Celestica, Letters of Credit from the Issuing Bank on behalf of the Lenders in, at the option of Celestica, Canadian Dollars, United States Dollars, Euros or Pounds Sterling or such other currency as Celestica may request, in accordance with Article 3.
- (b) Each Drawdown of an Advance pursuant to Section 2.3(a)(i) to (iv) shall be made by irrevocable Drawdown Notice, which Drawdown Notice shall be given by the applicable Borrower to the Administrative Agent, not later than (x) 10:00 a.m. Toronto, Canada time on the Banking Day prior to the relevant Drawdown Date in the case of Prime Rate Advances, Bankers' Acceptance Advances, and Base Rate Canada Advances, and (y) 10:00 a.m. London, England time and 10:00 a.m. New York, New York time on the third Banking Day prior to the relevant Drawdown Date in the case of a LIBOR Advance in United States Dollars.
 - (c) The Borrowers shall have the right to convert one currency into another as they see fit, but subject to the terms of this Agreement, including, without limitation, those provisions set out in items (i) to (iv) of subsection (a) above if the Conversion relates to an Advance other than a Swing Line Advance, providing for the manner in which the Facility is available to each Borrower. A Borrower may not make a Drawdown under the Facility if, as a result of such Drawdown, the sum of (i) the Equivalent Amount, expressed in United States Dollars, of the aggregate principal amount of all Prime Rate Advances and Acceptance Notes outstanding under the Facility, plus (ii) the Equivalent Amount, expressed in United States Dollars, of the aggregate Face Amount of all Bankers' Acceptances outstanding under the Facility, plus (iii) the Equivalent Amount, expressed in United States Dollars, of the maximum amount which may be drawn under all Letters of Credit outstanding under the Facility, plus (iv) the aggregate principal amount of all Base Rate Canada Advances outstanding under the Facility, plus (v) the aggregate principal amount of all LIBOR Advances outstanding under the Facility (collectively, the **"Outstanding Amount"**) would exceed the aggregate of all Commitments of the Lenders at such time (or such lesser amount as may be available following a cancellation in part of the Facility pursuant to Section 2.7).

- (d) If a Borrower wishes to make a Drawdown under the Facility for the purpose of financing a Take-over Bid, such Borrower shall deliver to the Administrative Agent a written notice (a **“Take-over Bid Notice”**) thereof at least ten (10) Banking Days prior to the day on which it gives to the Administrative Agent a Drawdown Notice requesting such Drawdown. Such Take-over Bid Notice shall include the details of such Take-over Bid. As soon as possible, but in any event within five (5) Banking Days of the giving of the Take-over Bid Notice, each Lender shall, acting reasonably and in good faith, determine whether or not it wishes to fund its Main Facility Rateable Portion of such Drawdown. Notwithstanding any other provisions hereof, if any Lender determines that it does not wish to fund its Main Facility Rateable Portion of such Drawdown, such Lender shall not be required to fund its Main Facility Rateable Portion of such Drawdown and the Drawdown shall be reduced accordingly, and such Lender shall be considered to be acting reasonably and in good faith if it determines that it does not wish to fund such Drawdown based on any of its internal regulatory, take-over bid and credit policies and procedures.
- (e) This Section 2.3 shall not apply to Swing Line Advances.

2.4 Lenders' Obligations

- (a) The obligations of the Lenders hereunder are several and not joint.
- (b) Save as otherwise specifically provided herein, each Lender shall participate in each Advance (other than, for certainty, any Swing Line Advance) referred to in the applicable provisions of Section 2.3 in accordance with its Main Facility Rateable Portion.
- (c) The failure of any Lender to make available its share of any Advance required to be made by it under this Agreement shall not relieve any other Lender of its obligation to make available its share of any Advance required to be made under this Agreement.

2.5 Repayment of Advances by Former Designated Subsidiaries

Provided that the Facility is not earlier accelerated in accordance with Article 10, a Subsidiary which is no longer a Designated Subsidiary by virtue of the delivery of a notice in writing to the Administrative Agent to that effect by Celestica in accordance with Section 7.1(d) of this Agreement shall repay to the Administrative Agent the principal amount of Advances made by the Lenders to such Subsidiary, together with all accrued and unpaid interest thereon, on the day which is five (5) Banking Days after the date of delivery of such notice by Celestica to the Administrative Agent in accordance with Section 7.1(d) of this Agreement.

2.6 Repayment of Facility

- (a) In the event that, at any time, the Outstanding Amount exceeds the maximum amount allowed pursuant to Section 2.3 due to changes in exchange rates, then Celestica shall forthwith repay to the Administrative Agent or cause another Borrower to forthwith repay to the Administrative Agent that portion of the

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Outstanding Amount which is in excess of the maximum amount allowed pursuant to Section 2.3; provided, however, that unless the Outstanding Amount exceeds One Hundred and Five Per Cent (105%) of the aggregate Commitments under the Facility, there shall be no such obligation to make a repayment hereunder until the earlier of (i) 15 days and (ii) the next following Interest Payment Date, Drawdown Date, date of Rollover or date of Conversion, in each case, following receipt of written notice of determination of such Outstanding Amount by the Administrative Agent to Celestica, and provided further that if such repayment would result in the repayment of a Bankers' Acceptance Advance prior to its maturity date or the repayment of an Acceptance Note or a LIBOR Advance prior to the last day of its Interest Period, Celestica may, or may cause another Borrower to, at its option and in lieu of repayment of such Advances, deposit with the Administrative Agent cash collateral in an amount equal to the required repayment amount to be held by the Administrative Agent for distribution to the Lenders as repayment of a Bankers' Acceptance Advance on its maturity date (or the last day of its then current Interest Period in the case of an Acceptance Note) or repayment of an Acceptance Note or a LIBOR Advance on the last day of its then current Interest Period, as the case may be.

- (b) Provided that the Facility is not prepaid or accelerated in accordance with Article 10, each Borrower shall repay the principal amount of all Advances made to it outstanding under the Facility, together with accrued and unpaid interest thereon, on the Maturity Date to the Administrative Agent and, in the event that the expiry date of any Letter of Credit is after the Maturity Date, Celestica shall on or before the Maturity Date, deposit with the Administrative Agent, on behalf of the Issuing Bank, an amount equal to the undrawn Face Amount of any such issued and outstanding Letter of Credit. Such amount shall be held by the Administrative Agent in an interest-bearing account and shall be applied to satisfy Celestica's obligations pursuant to Section 3.4 in the event that the Issuing Bank is called upon by a beneficiary to honour a Letter of Credit. Following the expiry of all such Letters of Credit, the Administrative Agent shall pay to Celestica the amounts so deposited, together with any interest accrued thereon less any amount paid by the Administrative Agent to the Issuing Bank. At any time that any Letter of Credit shall be reduced in accordance with Section 3.1(c)(ii), Celestica's obligations under this Section 2.6(b) shall be reduced accordingly, subject to reinstatement in the event any payment in respect of such Letter of Credit is recovered by any beneficiary in any manner from the Issuing Bank.
- (c) All repayments of the Facility by the Borrowers shall be in a minimum amount equal to the minimum amount of a Drawdown of each type of Advance set out in Section 2.3 and amounts in excess thereof in integral multiples of U.S.\$ 100,000, or the Equivalent Amounts thereof in the currency in which each Advance is denominated except in the event of a Rollover of an Advance into a lesser amount than the Advance then outstanding or a repayment pursuant to paragraphs (a) and (b) of Section 2.6 which may be in any amount. Repayments of any Advance outstanding under the Facility shall be made in the currency in which such Advance is denominated.

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2.7 Payments/Cancellation or Reduction

Celestica may at any time, upon giving at least three (3) Banking Days' prior notice to the Administrative Agent, repay, or cause another Borrower to repay and, in each case, cancel, any drawn portion of the Facility or cancel in full or, from time to time, in part, any undrawn portion of the Facility; provided, however, that:

- (a) if any such repayment relates to Bankers' Acceptances, Acceptance Notes or Letters of Credit, which have not matured, the Borrower to which such Advance was made shall, at such time, deposit in a cash collateral account opened and maintained by the Administrative Agent such amount as may be required to yield an amount equal to the aggregate undiscounted Face Amount of such instruments on the maturity dates thereof;
- (b) in the event that any such repayment relates to a LIBOR Advance other than on the scheduled last day of the applicable Interest Period, the Borrower to which such Advance was made shall contemporaneously pay to the Administrative Agent all applicable breakage costs, being any loss or expense incurred

by the Lenders by reason of the resulting liquidation or re-employment of deposits of funds;

- (c) any such reduction shall be in a minimum amount of U.S.\$ 5,000,000 and cancellations in excess thereof shall be in increments of U.S.\$ 100,000;
- (d) any cancellation shall reduce the Commitment of each Lender on a *pro rata* basis having regard to the Commitment of each Lender; and
- (e) any such cancellation shall permanently reduce the Facility and may not be reinstated.

2.8 Maturity Date

Subject to Section 2.7, Section 10.2 and Section 10.5, the Facility shall be available until the Maturity Date. Notwithstanding the termination of availability of the Facility, until all of the Obligations (other than contingent indemnity obligations) of the Borrowers shall have been fully and indefeasibly paid and satisfied and all financing arrangements among the Borrowers and the Lenders with respect to the Obligations shall have been cancelled or terminated, all of the rights and remedies of the Lenders and the Agents under this Agreement and the other Loan Documents shall survive.

2.9 Interest on Prime Rate Advances

Interest on each Prime Rate Advance shall accrue at a rate per annum equal to the Prime Rate in effect from time to time during the period of time that the Prime Rate Advance is outstanding plus the Applicable Margin. Such interest shall be payable to the Administrative Agent at its Toronto Office in Canadian Dollars monthly in arrears on the first Banking Day of the following month (each herein referred to as an “**Interest Payment Date**”) in each year for the period from and including the Drawdown Date for such Advance (or, if applicable, the date on which such Advance was converted into a Prime Rate Advance) or the preceding Interest Payment Date for

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such Prime Rate Advance, as the case may be, to and including the day preceding such Interest Payment Date and shall be calculated on the principal amount of the Prime Rate Advance from time to time outstanding during such period and on the basis of the actual number of days elapsed in a year of 365 or 366 days (in the case of an Interest Payment Date occurring in a leap year). Changes in the Prime Rate shall cause an automatic and immediate adjustment of the interest rate payable on Prime Rate Advances without the necessity of any notice to the Borrowers.

2.10 Interest on Base Rate Canada Advances

Interest on each Base Rate Canada Advance shall accrue at a rate per annum equal to the Base Rate Canada in effect from time to time during the period of time that the Base Rate Canada Advance is outstanding plus the Applicable Margin. Such interest shall be payable to the Administrative Agent at its Toronto Office in United States Dollars monthly in arrears on each Interest Payment Date in each year for the period from and including the Drawdown Date for such Advance (or, if applicable, the date on which such Advance was converted into a Base Rate Canada Advance) or the preceding Interest Payment Date for such Base Rate Canada Advance, as the case may be, to and including the day preceding such Interest Payment Date and shall be calculated on the principal amount of the Base Rate Canada Advance from time to time outstanding during such period and on the basis of the actual number of days elapsed and the number of days deemed to be included in a year by the definition of the rate used to set Base Rate Canada. Changes in the Base Rate Canada shall cause an automatic and immediate adjustment of the interest rate payable on Base Rate Canada Advances without the necessity of any notice to the Borrowers.

2.11 [Intentionally Deleted]

2.12 LIBOR Advances

- (a) LIBOR Advances shall be available for Drawdown, Conversion or Rollover in United States Dollars in minimum principal amounts of U.S.\$ 5,000,000 and integral multiples of U.S.\$ 100,000 in excess thereof. Each Drawdown Notice shall specify the applicable Interest Period for the LIBOR Advance. The duration of each such Interest Period shall be for a period of approximately one, two, three or six months, or any other period, if available and agreed to by the Administrative Agent on behalf of the Lenders, as the Borrower requesting such Drawdown, Conversion or Rollover may select in the applicable Drawdown Notice, Conversion Notice or Rollover Notice. No LIBOR Advance may have an Interest Period ending after the Maturity Date. If any Interest Period would end on a day which is not a Banking Day, such Interest Period shall be extended to the next succeeding Banking Day unless such next succeeding Banking Day falls in the next calendar month, in which case such Interest Period shall be shortened to end on the immediately preceding Banking Day.
- (b) If a Lender determines that deposits of the necessary amount in the requested currency for the applicable Interest Period are not available in the London interbank market or if for any other reason the Administrative Agent, acting reasonably, is unable to determine the applicable LIBO Rate, then the relevant LIBOR Advance will not be made, and the Administrative Agent will discuss

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with such Borrower the particular circumstances and implications of such event. In the event that such determination is made by the Administrative Agent in the case of a proposed Rollover of an existing LIBOR Advance or a proposed Conversion of another type of Advance into a LIBOR Advance, the proposed LIBOR Advance will automatically be deemed to be a Base Rate Canada Advance.

- (c) Interest on any LIBOR Advance shall be calculated at a rate per annum equal to the LIBO Rate plus the Applicable Margin, plus any applicable Mandatory Cost then in effect, shall accrue from day to day and shall be calculated on the basis of the actual number of days elapsed (including the first day of each Interest Period but excluding the last day thereof) and divided by 360. Interest on any LIBOR Advance shall be payable to the Administrative Agent in United States Dollars in arrears on the last day of the Interest Period relating thereto; provided, however, that if the Interest Period is for a term of more than three months, interest shall be payable on the last Banking Day of the first three-month period and on the last Banking Day of each three-month period thereafter, as well as on the last day of the Interest Period.
- (d) If a LIBOR Advance to a Borrower is neither repaid on the last day of an Interest Period nor converted into another type of Advance on such date pursuant to Section 2.15, and if the Administrative Agent has not received a Rollover Notice or a Conversion Notice specifying the term of the next Interest Period for such LIBOR Advance at or before 10:00 a.m. (local time in Toronto, Canada) on the third Banking Day prior to the last day of the then current Interest Period, then the outstanding LIBOR Advance shall be deemed to be converted, by way of Conversion on the last day of the then current Interest Period, into a Base Rate Canada Advance.
- (e) Except as otherwise provided herein, LIBOR Advances shall not be repaid, prepaid or converted into another type of Advance except on the last day of any Interest Period relating thereto.

2.13 Method and Place of Payment

- (a) Each payment to be made by a Borrower under this Agreement shall be made without deduction, set-off or counterclaim.
- (b) Except as provided in Section 4.2 with respect to Acceptance Fees and Section 3.8 with respect to fees for Letters of Credit, all payments of principal, interest and fees hereunder shall be made for value at or before 12:00 noon (local time in Toronto, Canada) on the day such amount is due by deposit or transfer thereof to the account of the Administrative Agent maintained at its Toronto Office. Payments received after such time shall be deemed to have been made on the next following Banking Day.
- (c) Subject to Section 11.16, each Lender shall be entitled to its Main Facility Rateable Portion of each repayment or prepayment of principal of a Prime Rate Advance (other than a Swing Line Advance), a LIBOR Advance, Acceptance

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Note, Base Rate Canada Advance (other than a Swing Line Advance) or payment of the Face Amount of Bankers' Acceptances made to Celestica or a Canadian Designated Subsidiary.

- (d) Notwithstanding Section 2.12(c), in the event that a Borrower is required to pay Additional Compensation to a Lender, such Borrower may prepay all or any portion of the Advances made by such Lender to such Borrower, without any obligation to prepay any portion of the Advances made by other Lenders to whom the Borrower is not required to pay Additional Compensation; provided, however, that any prepayment of a Bankers' Acceptance Advance or LIBOR Advance shall be subject to the provisions of Section 12.2.

2.14 Fees

- (a) During the period commencing on the date hereof and ending on the Maturity Date (in this Section 2.14, the "**Relevant Period**"), Celestica on behalf of itself and the other Borrowers shall pay to the Administrative Agent for the account of the Lenders in accordance with each Lender's Global Rateable Portion a fee (the "**Facility Fee**") calculated at the rate per annum set forth in Schedule C on the aggregate Commitments (after giving effect to any cancellation and reduction pursuant to Section 2.7) hereunder during the Relevant Period from day to day which fee shall be payable quarterly in arrears.
- (b) During the Relevant Period, Celestica on behalf of itself and the other Borrowers shall pay to the Administrative Agent for the account of the Lenders in accordance with each Lender's Global Rateable Portion a fee (the "**Utilization Fee**") calculated at the rate per annum set forth in Schedule C on the aggregate principal amount of all outstanding Advances hereunder for each day during the Relevant Period on which the aggregate principal amount of all outstanding Advances exceed 50% of the aggregate Commitments (after giving effect to any increase, cancellation or reduction pursuant to Sections 2.3, 2.7 and 2.23) hereunder, which fee shall be payable quarterly in arrears.
- (c) On or prior to the Closing Date, Celestica on behalf of itself and the other Borrowers shall pay to the Administrative Agent for the account of the Lenders in accordance with each Lender's Global Rateable Portion a fee (the "**Upfront Fee**") in an amount equal to .25% of the aggregate Commitments in accordance with the Fee Letter.

2.15 Conversion Options

Subject to the provisions of this Agreement (including, without limitation, Section 4.5), provided that no Event of Default has occurred and is continuing, a Borrower may convert any type of Advance outstanding under the Facility as follows:

- (a) provided that the relevant Borrower thereunder is Celestica or a Canadian Designated Subsidiary, a Prime Rate Advance or a portion thereof into a Bankers' Acceptance Advance by giving the Administrative Agent a Conversion Notice no

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later than 10:00 a.m. one (1) Banking Day prior to the date of the proposed Conversion;

- (b) provided that the relevant Borrower thereunder is Celestica or a Canadian Designated Subsidiary, the Face Amount of a Bankers' Acceptance or the principal amount of any Acceptance Notes, as applicable, or a portion thereof into a Prime Rate Advance on the maturity date of the Bankers' Acceptance or the last day of the then current Interest Period of such Acceptance Note by giving the Administrative Agent a Conversion Notice no later than 10:00 a.m. one (1) Banking Day prior to the date of the proposed Conversion;
- (c) a Base Rate Canada Advance or a portion thereof into a LIBOR Advance by giving the Administrative Agent a Conversion Notice no later than 10:00 a.m. three (3) Banking Days prior to the date of the proposed Conversion; and
- (d) a LIBOR Advance or a portion thereof into a Base Rate Canada Advance on the last day of the Interest Period of the relevant LIBOR Advance by giving the Administrative Agent a Conversion Notice no later than 10:00 a.m. one (1) Banking Day prior to the date of the proposed Conversion.

An Advance may not be converted into an Advance denominated in a currency other than the currency in which the original Advance was made; however, an Advance denominated in one currency may be repaid concurrently with the Drawdown of an Advance denominated in another currency.

2.16 Execution of Notices

All Drawdown Notices, Conversion Notices, Rollover Notices and notices of repayment or cancellation and, unless otherwise provided herein, all other notices, requests, demands or other communications to be given to the Administrative Agent by a Borrower hereunder shall be executed by any one officer or director of the Borrower making each such Drawdown Notice, Conversion Notice, Rollover Notice or notice of repayment or cancellation.

2.17 Evidence of Indebtedness

The Administrative Agent shall open and maintain in accordance with its usual practice books of account evidencing all Advances and all other amounts owing by the Borrowers to the Administrative Agent and the Lenders hereunder. The Administrative Agent shall also enter in the foregoing accounts details of every Letter of Credit issued on behalf of Celestica, details of every Drawdown Date in respect of each Advance and all amounts from time to time owing or paid by a Borrower to the Administrative Agent for its own account or for the account of the Lenders hereunder, the amounts of principal, interest and fees payable from time to time hereunder and the unused portion of each Lenders' Commitment available to be drawn down by the Borrowers or in respect of which Advances may be made in connection with reimbursement of the Issuing Bank pursuant to calls on a Letter of Credit. The information entered in the foregoing accounts shall constitute, in the absence of manifest error, *prima facie* evidence of the

called to honour a Letter of Credit and the amounts the Borrowers have paid from time to time on account of the principal of and interest on the Advances.

2.18 Interest on Unpaid Costs and Expenses

Unless the payment of interest is otherwise specifically provided for herein, where a Borrower fails to pay any amount required to be paid by a Borrower hereunder when due, having received notice that such amount is due, such Borrower shall pay interest to the Administrative Agent on such unpaid amount, including overdue interest from the time such amount is due until paid at an annual rate equal to the sum of (i) 2%, plus (ii) the Prime Rate, in the case of overdue amounts payable in Canadian Dollars, or the Base Rate Canada, in the case of overdue amounts payable in United States Dollars. Such interest shall be determined daily, compounded quarterly in arrears on each Interest Payment Date in each year and payable on demand.

2.19 Criminal Rate of Interest

Notwithstanding the foregoing provisions of this Article 2, the Borrowers shall in no event be obliged to make any payments of interest or other amounts payable to the Lenders hereunder in excess of an amount or rate which would be prohibited by law or would result in the receipt by the Lenders of interest at a criminal rate (as such terms are construed under the *Criminal Code* (Canada)).

2.20 Compliance with the *Interest Act* (Canada)

For the purposes of this Agreement, whenever any interest is calculated on the basis of a period of time other than a calendar year, the annual rate of interest to which each rate of interest determined pursuant to such calculation is equivalent for the purposes of the *Interest Act* (Canada) is such rate as so determined multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by the number of days used in the basis of such determination.

2.21 Nominal Rate of Interest

The parties acknowledge and agree that all calculations of interest under the Loan Documents are to be made on the basis of the nominal interest rate described herein and not on the basis of effective yearly rates or on any other basis which gives effect to the principle of deemed reinvestment of interest. The parties acknowledge that there is a material difference between the stated nominal interest rates and the effective yearly rates of interest and that they are capable of making the calculations required to determine such effective yearly rates of interest.

2.22 Swing Line Facility

- (a) **Swing Line Advances.** Subject to subsections (b) and (k), the Swing Line Lender hereby agrees, on the terms and conditions set forth in this Agreement, to make Swing Line Advances in Canadian Dollars or United States Dollars to Celestica or any Canadian Designated Subsidiary from time to time from the date hereof to the Maturity Date but in any event not later than the Maturity Date.

- (b) **Limitation on Swing Line Advances.** No Swing Line Advance shall be made by the Swing Line Lender if:
- (i) the sum of (A) the amount of such Swing Line Advance and (B) the aggregate principal amount of all Swing Line Advances outstanding on such day exceeds the Available Swing Line Commitment;
 - (ii) immediately after such Swing Line Advance is made, the aggregate outstanding principal amount of all Advances exceeds the aggregate Commitments; or
 - (iii) a Trigger Event has occurred, no Debt Rating Upgrade has ensued and is continuing following the Trigger Event, and the obligations set out in Sections 9.1(p)(i) and 9.1(p)(ii) have not been satisfied.
- (c) **Amount of Each Swing Line Advance.** Each Swing Line Advance in Canadian Dollars and each Swing Line Advance in United States Dollars shall be in an aggregate principal amount of Cdn.\$ 1,000,000 or U.S.\$ 1,000,000, as the case may be, or any integral multiple thereof.
- (d) **Interest Rates.** Each Swing Line Advance shall bear interest on the outstanding principal amount thereof, for each day from the date such Swing Line Advance is made until it becomes due, at a rate per annum equal to, in the case of Swing Line Advances in Canadian Dollars, the Prime Rate plus the Applicable Margin, and, in the case of Swing Line Advances in United States Dollars, the Base Rate Canada plus the Applicable Margin.
- (e) **Procedure for Requesting Swing Line Advances.** The relevant Borrower shall give to the Administrative Agent telephonic notice no later than 10:00 a.m. (local time) on the date of each Swing Line Advance specifying (i) the date of such Swing Line Advance, which shall be a Banking Day in Toronto, Canada; and (ii) the currency and amount of such Swing Line Advance. Such telephonic notice shall be followed by delivery by the relevant Borrower by no later than 3:00 p.m. local time on the same day of a Notice of Swing Line Borrowing. Promptly after receiving such Notice of Swing Line Borrowing, the Administrative Agent shall notify the relevant Swing Line Lender of the contents thereof and such Notice of Swing Line Borrowing shall not thereafter be revocable by such Borrower.
- (f) **Funding of Swing Line Advances.** On the date of each Swing Line Advance, the Swing Line Lender shall make available such Swing Line Advance no later than 12:00 noon, Toronto, Canada time.
- (g) **Optional Prepayment of Swing Line Advances.** Any Borrower may prepay its Swing Line Advance in whole at any time or from time to time in part in a minimum principal amount of Cdn.\$ 1,000,000 or U.S.\$ 1,000,000, as the case may be, or any integral multiple thereof, by giving notice of such prepayment to the Administrative Agent not later than 10:00 a.m. Toronto, Canada time on the date of prepayment and paying the principal amount to be prepaid (together with

interest accrued thereon to the date of prepayment) to the Administrative Agent for the account of the Swing Line Lender.

- (h) **Maturity of Swing Line Advances.** Any Swing Line Advance outstanding on the seventh day after such Swing Line Advance, if not repaid by such Borrower on such seventh day, shall convert to, in the case of a Swing Line Advance in Canadian Dollars, a Prime Rate Advance or, in a case of a Swing Line Advance in United States Dollars, a Base Rate Canada Advance, as the case may be. If, prior to the seventh day after such Swing Line Advance was made, the Administrative Agent declares the Advances to be immediately due and payable or the Commitments automatically terminate, each as set out in Section 10.2, such Swing Line Advance shall be due and payable on the date of such declaration by the Administrative Agent or automatic termination.
- (i) **Refunding Unpaid Swing Line Advances.** If any Swing Line Advance is converted, pursuant to subsection (h), to another form of Advance, the Swing Line Lender shall forthwith notify the Administrative Agent and the Administrative Agent shall, by notice to the Lenders (including the Swing Line Lender in its capacity as Lender), require the Lenders to pay to the Administrative Agent, for the account of the Swing Line Lender, their Main Facility Rateable Portion of the aggregate amount of such other form of Advance. Such other form of Advance shall constitute, in the case of a Swing Line Advance in Canadian Dollars, a Prime Rate Advance and, in the case of a Swing Line Advance in United States Dollars, a Base Rate Canada Advance, provided that if the Lenders are prevented from making such Advances by provisions of applicable bankruptcy laws or otherwise, the amount so paid by each Lender shall constitute a purchase by it of a participation in the unpaid principal amount of such converted Swing Line Advances. Any such notice to the Lenders shall specify the date on which such payments are to be made by them. No later than 12:00 noon Toronto, Canada time on the date so specified each Lender shall pay the amount so notified to it in immediately available funds to the Administrative Agent for the account of the Swing Line Lender. Each Lender's obligations to make payments for the account of the Swing Line Lender under this subsection shall be absolute and unconditional and shall not be affected by any circumstance provided that no Lender shall be obligated to make any payment to the Administrative Agent under this Section with respect to a Swing Line Advance made by the Swing Line Lender at a time when such Swing Line Lender had received written notice from Celestica or the Administrative Agent that a Default had occurred and was continuing. Notwithstanding the provisions of this Section 2.22(i), if Export Development Canada ("EDC") is prevented from making such Advances or from purchasing such participation by any Applicable Law, EDC's Main Facility Rateable Portion of such Swing Line Advance to be so converted shall not be converted and shall remain outstanding as a Swing Line Advance, and EDC shall provide to the Swing Line Lender a guarantee of payment of such amount, which guarantee shall be in form and substance satisfactory to the Swing Line Lender.
- (j) **Increasing or Decreasing Available Swing Line Commitment.** At any time and from time to time, Celestica may, by written notice to the Administrative

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Agent, increase or decrease the Available Swing Line Commitment, provided that the Available Swing Line Commitment shall at no time exceed U.S.\$ 25,000,000 less the amount, if any, that the Commitment of the Swing Line Lender has been reduced pursuant to Section 2.7 or be less than zero.

- (k) **Take-over Bids.** If a Borrower wishes to make a Drawdown of a Swing Line Advance for the purpose of financing a Take-over Bid, such Borrower shall deliver to the Swing Line Lender a Take-over Bid Notice at least ten (10) Banking Days prior to the day on which it gives to the Swing Line Lender a telephonic notice or Notice of Swing Line Borrowing requesting such Drawdown. Such Take-over Bid Notice shall include the details of such Take-over Bid. As soon as possible, but in any event within five (5) Banking Days of the giving of the Take-over Bid Notice, the Swing Line Lender shall, acting reasonably and in good faith, determine whether or not it wishes to fund such Swing Line Advance. Notwithstanding any other provisions hereof, if the Swing Line Lender determines that it does not wish to fund such Swing Line Advance, the Swing Line Lender shall not be required to fund such Swing Line Advance, and the Swing Line Lender shall be considered to be acting reasonably and in good faith if it determines that it does not wish to fund such Swing Line Advance based on any of its internal regulatory, take-over bid and credit policies and procedures.

2.23 Increase In Aggregate Commitment Amount To U.S.\$ 400,000,000

- (a) Notwithstanding any other provision of this Agreement, each of the parties hereto agree that Celestica may, from time to time and at any time, give notice to the Administrative Agent that one or more Lenders or other financial institutions (each an "**Additional Lender**") have agreed to make additional or new commitments (each an "**Additional Commitment**") hereunder (provided, however, that Celestica shall not be entitled to give such notice at any time at which the aggregate Commitments are equal to U.S.\$ 400,000,000 (or such lesser amount as may be available following a cancellation in part of the Facility pursuant to Section 2.7)). Upon receipt of such written notice, each party hereto hereby irrevocably authorizes the Administrative Agent to:
- (i) insert the name of the Additional Lender that will become a Lender on Schedule A;
- (ii) amend Schedule B to reflect the Additional Commitment of the Additional Lender;
- (iii) affix signature pages of the Additional Lender to this Agreement; and
- (iv) if Advances (other than Swing Line Advances) are outstanding at the time such notice is given, then the Additional Lender shall make available to the Administrative Agent an amount equal to its Main Facility Rateable Portion (calculated as if the Additional Commitment were a Commitment) of such Advances and the Administrative Agent shall make available to each Lender that Lender's Main Facility Rateable Portion (calculated without reference to the Additional Commitment) of such amount,

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whereupon each of the Borrowers, the Administrative Agent, each Lender and the Additional Lender shall acquire the same rights and assume the same obligations between themselves as they would have acquired and assumed had such Additional Lender been original parties hereto as Lenders.

- (b) Each of the parties hereto agrees that it will promptly execute and deliver all such documents, including, without limitation, all such additional conveyances, transfers and consents and other assurances, and do all such other acts and things as may from time to time be desirable in order to better evidence or give effect to this Section 2.23.

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ARTICLE 3 LETTERS OF CREDIT

3.1 Issuance Request

By delivering to the Administrative Agent and the Issuing Bank an Issuance Request at or before 12:00 noon, Toronto, Canada time, Celestica may request, from time to time prior to the Maturity Date and on not less than three nor more than ten Banking Days' notice, that the Issuing Bank issue an irrevocable standby letter of credit or letter of

guarantee in such form as may be requested by Celestica and approved by the Issuing Bank (each a **“Letter of Credit”**) in support of financial obligations of a Restricted Subsidiary incurred in such Restricted Subsidiary’s ordinary course of business and which are described in such Issuance Request, provided that, if the form of the letter of credit requested by Celestica is in a language other than English, Celestica shall provide to the Administrative Agent and the Issuing Bank not less than ten nor more than twenty Banking Days notice. Upon receipt of an Issuance Request, the Administrative Agent shall, within twenty (20) days of the receipt thereof, notify the Lenders thereof. Each Letter of Credit shall, by its terms:

- (a) be issued in a Face Amount which when aggregated with the Face Amounts of all other outstanding Letters of Credit does not exceed (or would not, upon its issuance, exceed) the then Letter of Credit Availability;
- (b) be stated to expire on a date (its **“Stated Expiry Date”**) not later than one year from the Maturity Date; and
- (c) on or prior to its Stated Expiry Date:
 - (i) terminate immediately upon notice to the Issuing Bank thereof from the beneficiary thereunder that all obligations covered thereby have been terminated, paid or otherwise satisfied in full, and
 - (ii) reduce, in part, immediately and to the extent that the beneficiary thereunder has notified the Issuing Bank thereof that the obligations covered thereby have been paid or otherwise satisfied in part.

Celestica may request Letters of Credit to be denominated in Canadian Dollars, in United States Dollars, and in Pounds Sterling or, if the Issuing Bank in its sole and absolute discretion agrees, in Euros or such other currency as Celestica may request in the Issuance Request. In the event that the currency in which a Letter of Credit is expressed to be drawn is a currency other than United States Dollars or Canadian Dollars, for the purposes of determining whether the Face Amount of all outstanding Letters of Credit exceeds (or would, upon its issuance, exceed) the Letter of Credit Availability, the Face Amount payable under such Letter of Credit shall be deemed to be the Equivalent Amount in United States Dollars of such other currency on the date of such determination. The provisions of Section 6.2 shall apply to Letters of Credit issued contemporaneously on the first Drawdown Date and, thereafter, Section 6.3 (with the exception of Section 6.3(a)) shall apply at the time of issuance of any Letter of Credit as if such issuance were a Drawdown.

3.2 Issuances

On the terms and subject to the conditions of this Agreement, the Issuing Bank shall issue Letters of Credit in accordance with the Issuance Requests made therefor. The Issuing Bank will make available the original of each Letter of Credit which it issues in accordance with the Issuance Request therefor to the beneficiary thereof. The Issuing Bank shall notify the Administrative Agent of each issuance of or amendment to any Letter of Credit on the day upon which such issuance or amendment occurs and will promptly provide each of the Administrative Agent and the Lenders with a copy of such Letter of Credit or amendment thereof.

3.3 Other Lenders’ Participation

Each Letter of Credit issued pursuant to Section 3.2 shall, effective upon its issuance and without further action, be issued on behalf of all Lenders (including the Issuing Bank) in their respective Main Facility Rateable Portions. Each Lender shall, to the extent of its Main Facility Rateable Portion, be deemed irrevocably to have participated in the issuance of the Letter of Credit and shall be deemed to have purchased from the Issuing Bank an interest in each Letter of Credit equal to its Main Facility Rateable Portion of the Face Amount of each Letter of Credit; provided, however, that in the event that any Letter of Credit is denominated in a currency other than United States Dollars, each of the Lenders, other than the Issuing Bank, shall be deemed to have purchased from the Issuing Bank an interest in each Letter of Credit equal to its Main Facility Rateable Portion of the Equivalent Amount, expressed in United States Dollars and determined on the date of issuance, of the Letter of Credit. Each Lender shall be responsible to reimburse promptly the Issuing Bank for Reimbursement Obligations which have not been reimbursed by Celestica in accordance with Section 3.4 or which have been reimbursed by Celestica but must be returned, restored or disgorged by the Issuing Bank for any reason and each Lender shall, to the extent of its Main Facility Rateable Portion, be entitled to receive from the Administrative Agent its Main Facility Rateable Portion of the fee received by the Administrative Agent with respect to each Letter of Credit payable pursuant to Section 3.8(b). In the event that Celestica shall fail to reimburse the Issuing Bank or if for any reason Advances shall not be made to fund any Reimbursement Obligation, all as provided in Section 3.4 and in an amount equal to the amount of any drawing on or by the Issuing Bank under a Letter of Credit, or in the event the Issuing Bank must, for any reason, return, restore or disgorge such reimbursement, the Issuing Bank shall promptly notify each Lender of the unreimbursed amount of such drawing and such Lender’s respective Main Facility Rateable Portion of the Face Amount of such Letter of Credit. Each Lender shall make available to the Issuing Bank, whether or not any Default shall have occurred and be continuing, an amount equal to its respective Main Facility Rateable Portion of the Face Amount of such Letter of Credit in same day or immediately available funds at the office of the Issuing Bank specified in such notice not later than 10:00 a.m. local time on the Banking Day after the date notified by the Issuing Bank. In the event that any Lender fails to make available to the Issuing Bank the amount of such Lender’s participation in such Letter of Credit as provided herein, the Issuing Bank shall be entitled to recover such amount on demand from such Lender together with interest at a daily rate consistent with market practice. Nothing in this Section shall be deemed to prejudice the right of any Lender to recover from the Issuing Bank any amounts made available by such Lender to the Issuing Bank pursuant to this Section in the event that it is determined by a court of competent jurisdiction in a final, non-appealable decision that the payment with respect to such Letter of Credit by the Issuing Bank in respect of which payment was made by such Lender constituted

gross negligence or wilful misconduct on the part of the Issuing Bank. The Issuing Bank shall distribute to each other Lender which has paid all amounts payable by it under this Section with respect to any Letter of Credit issued by the Issuing Bank such other Lender’s Main Facility Rateable Portion of all payments received by the Issuing Bank from Celestica in reimbursement of drawings honoured by the Issuing Bank under such Letter of Credit when such payments are received.

3.4 Reimbursement

The Issuing Bank will notify Celestica and the Administrative Agent promptly following the presentment for payment of any drawing under a Letter of Credit which notice shall include the date (a **“Disbursement Date”**) such payment shall be made. Subject to the terms and provisions of such Letter of Credit, the Issuing Bank shall make such payment to the beneficiary (or its designee) of such Letter of Credit (each, a **“Disbursement”**). Unless Celestica has made alternative arrangements with the Issuing Bank with respect to payment to the Administrative Agent of an amount sufficient to permit the Issuing Bank to discharge its obligations under the Letter of Credit together with that amount equal to any and all charges and expenses which the Issuing Bank may pay or incur in respect to such Letter of Credit, at or prior to 12:00 noon, Toronto, Canada time on the Disbursement Date, Celestica will reimburse the Issuing Bank for all amounts disbursed under the Letter of Credit together with that amount equal to any and all charges and expenses which the Issuing Bank may pay or incur in respect of such drawing under such Letter of Credit, failing which any such payment so payable shall be deemed to be (i) a Drawdown of a Prime Rate Advance if payment under such Letter of Credit was made in Canadian Dollars; (ii) a Drawdown of a Base Rate Canada Advance if payment under such Letter of Credit was made in United States Dollars; or (iii) a Drawdown of a Base Rate Canada Advance in the Equivalent Amount in United States Dollars on the date of such Disbursement of the aggregate of the amount so disbursed and all such charges and expenses if payment under such Letter of Credit was made in a currency other than United States Dollars or Canadian Dollars; provided that the provisions of Section 6.3 regarding conditions for subsequent Drawdowns shall not apply to such Advances. In the event that any amount so payable by the Issuing Bank exceeds the amount available to be drawn down by Celestica under the Facility, then

forthwith upon receipt of such notice, Celestica shall provide to the Issuing Bank an amount equal to such excess amount. Celestica's obligation (a "Reimbursement Obligation") to reimburse the Issuing Bank with respect to each Disbursement, and each Lender's obligation to make participation payments in each drawing which has not been reimbursed by Celestica, shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim, or defence to payment which Celestica may have or have had against any Lender or any beneficiary of a Letter of Credit, including any defence based upon the occurrence of any Default, any draft, demand or certificate or other document presented under a Letter of Credit proving to be forged, fraudulent, invalid or insufficient, the failure of any Disbursement to conform to the terms of the applicable Letter of Credit (if, in the Issuing Bank's good faith opinion, such Disbursement is determined to be appropriate) or any non-application or misapplication by the beneficiary of the proceeds of such Disbursement, or the legality, validity, form, regularity, or enforceability of such Letter of Credit; provided, however, that nothing herein shall adversely affect the right of Celestica to commence any proceeding against the Issuing Bank for any wrongful Disbursement made by the Issuing Bank under a Letter of Credit as a result of gross negligence or wilful misconduct (as determined by a final, non-appealable decision of a court of competition jurisdiction) on the part of the Issuing Bank.

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3.5 Deemed Disbursements

Upon the declaration by the Administrative Agent that all Advances are immediately due and payable or are due and payable on demand pursuant to Section 10.2, Celestica shall immediately deposit with the Administrative Agent, on behalf of the Issuing Bank, an amount equal to the undrawn Face Amount of all issued and outstanding Letters of Credit. If such deposit is not received by the Administrative Agent, on behalf of the Issuing Bank, within 15 days of such declaration by the Administrative Agent, the Administrative Agent may, with the consent of the Majority Lenders, deem a Drawdown Notice to have been delivered by Celestica requesting (i) a Drawdown of a Prime Rate Advance in an amount equal to the undrawn Face Amount of outstanding Letters of Credit denominated in Canadian Dollars, (ii) a Drawdown of a Base Rate Canada Advance in an amount equal to the undrawn Face Amount of outstanding Letters of Credit denominated in U.S. Dollars, and (iii) a Drawdown of a Base Rate Canada Advance in the Equivalent Amount in United States Dollars (on the date preceding the date that such Drawdown Notice is deemed to have been delivered by Celestica and from time to time thereafter) of the undrawn Face Amount of outstanding Letters of Credit denominated in a currency other than United States Dollars or Canadian Dollars. Such Advances shall be made and the Lenders shall fund such Advances in accordance with Section 11.2 notwithstanding the provisions of Section 6.3. Any amounts so received by the Administrative Agent, on behalf of the Issuing Bank, from Celestica pursuant to this Section shall be held as collateral security for the repayment of all Obligations in connection with the Letters of Credit issued by the Issuing Bank. At any time when such Letters of Credit shall terminate pursuant to Section 3.1(c)(i) or be reduced pursuant to Section 3.1(c)(ii), the obligations of Celestica under this Section shall be reduced accordingly (subject, however, to reinstatement in the event any payment in respect of such Letters of Credit is recovered by any beneficiary in any manner from the Issuing Bank), and the Administrative Agent, on behalf of the Issuing Bank, will return to Celestica the amount, if any, by which the aggregate amount deposited by Celestica with the Administrative Agent, together with any interest accrued thereon, exceeds the aggregate amount paid by the Administrative Agent for application by the Issuing Bank to any Reimbursement Obligation of Celestica and the aggregate amount of any unpaid Reimbursement Obligations of Celestica.

If, pursuant to Section 10.2, the Administrative Agent withdraws its declaration that all Advances are immediately due and payable or are due and payable on demand, or at such time when all Events of Default shall have been cured or waived, the Administrative Agent, on behalf of the Issuing Bank, shall return to Celestica all amounts then on deposit with the Administrative Agent (together with any interest thereon) pursuant to this Section 3.5.

3.6 Nature of Reimbursement Obligations

Celestica shall assume all risks of the acts, omissions, or misuse of any Letter of Credit it has requested by the beneficiary thereof. Neither the Issuing Bank nor any Lender (except to the extent of its own gross negligence or wilful misconduct, as determined by a final, non-appealable decision of a court of competent jurisdiction) shall be responsible for:

- (a) the form, validity, sufficiency, accuracy, genuineness, or legal effect of any Letter of Credit or any document submitted by any party in connection with the application for or issuance of a Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent, or forged;

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- (b) the form, validity, sufficiency, accuracy, genuineness, or legal effect of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof in whole or in part, which may prove to be invalid or ineffective for any reason;
- (c) failure of the beneficiary to comply fully with conditions required in order to demand payment under a Letter of Credit;
- (d) errors, omissions, interruptions, or delays in transmission or delivery of any messages, by mail, telecopier, or otherwise; or
- (e) any loss or delay in the transmission or otherwise of any document or draft required in order to make a Disbursement under a Letter of Credit or of the proceeds thereof.

None of the foregoing shall affect, impair, or prevent the vesting of any of the rights or powers granted to the Issuing Bank or any Lender hereunder. Any action taken or omitted to be taken by the Issuing Bank in good faith shall be binding upon Celestica and shall not subject the Issuing Bank to any resulting liability to Celestica.

3.7 Indemnity for Costs

Celestica shall indemnify the Issuing Bank against any and all costs, damages, expenses, taxes (other than taxes on overall net income, assets or capital), claims and demands which the Issuing Bank may incur or sustain by reason of or arising in any way whatsoever in connection with the operating, establishing or paying of the amounts payable under a Letter of Credit or arising in connection with any amounts payable by the Issuing Bank thereunder.

3.8 Fees

- (a) At the time of issuance of a Letter of Credit, Celestica shall pay to the Administrative Agent, for the account of the Issuing Bank, an issuing fee in an amount equal to the product of (i) the Face Amount of the Letter of Credit, (ii) 0.1%, and (iii) a fraction, the numerator of which is the number of days in the term of the Letter of Credit and the denominator of which is 365 (or 366 in the case of a leap year).
- (b) Celestica shall pay to the Administrative Agent for the rateable account of the Lenders, in respect of each Letter of Credit issued hereunder, a quarterly fee calculated daily on each day in each fiscal quarter during the term of such Letter of Credit in an amount equal to the sum of the products obtained on each such day by multiplying (i) the undrawn portion of the Face Amount of the Letter of Credit on such day, (ii) the LC Fee and (iii) a fraction, the numerator of which is one (1) and denominator of which is 365 (or 366 in the case of a day occurring in a leap year). Such fee shall be payable by Celestica to the Administrative Agent on the first Business Day of the next following fiscal quarter. The fee shall in turn be distributed by the Administrative Agent to the

- (c) Celestica shall pay to the Administrative Agent, for the account of the Issuing Bank, an amendment fee in United States Dollars in respect of each amendment to any Letter of Credit in such amount as is usual and customary for the Issuing Bank to charge its customers, and such fee shall be payable by Celestica to the Administrative Agent, for the account of the Issuing Bank, at the time of request for such amendment.
- (d) In the event that the currency in which a Letter of Credit is expressed to be drawn is a currency other than United States Dollars or Canadian Dollars, for the purposes of assessing the fees payable under this Section 3.8, the Face Amount payable under the Letter of Credit shall be deemed to be the Equivalent Amount in United States Dollars of such other currency on the date on which such fee is to be assessed.

ARTICLE 4
BANKERS' ACCEPTANCES AND ACCEPTANCE NOTES

4.1 Funding of Bankers' Acceptances

If the Administrative Agent receives from Celestica or a Canadian Designated Subsidiary a Drawdown Notice or a Rollover Notice or a Conversion Notice requesting an Advance or a Rollover or a Conversion into a Bankers' Acceptance Advance, the Administrative Agent shall notify each of the Lenders, prior to 11:30 a.m. (Toronto, Canada time) on the first Banking Day prior to the date of such Advance, of such request and each Lender's Main Facility Rateable Portion of such Advance except that, if the Face Amount of a draft which would otherwise be accepted by a Lender would not be Cdn.\$ 100,000, or an integral multiple thereof, such Face Amount shall be increased or reduced by the Administrative Agent in its sole and unfettered discretion to the nearest integral multiple of Cdn.\$ 100,000. Each Lender shall, not later than 11:30 a.m. (Toronto, Canada time) on the date of each Advance by way of Bankers' Acceptance under the Facility (whether in respect of a Drawdown or pursuant to a Rollover or Conversion), accept drafts of such Borrower who has delivered such Drawdown Notice, Rollover Notice or Conversion Notice which are presented to it for acceptance and which have an aggregate face amount equal to such Lender's Main Facility Rateable Portion of the total Advance being made by way of Bankers' Acceptances on such date. With respect to each Drawdown or Rollover or Conversion into Bankers' Acceptances, each Lender shall not be required to accept any draft which has a Face Amount which is not an integral multiple of Cdn.\$ 100,000. Subject to this Section and Section 2.3, each Lender shall purchase its Main Facility Rateable Portion of any Bankers' Acceptances. Concurrently with the acceptance of drafts of such Borrower as aforesaid, each Lender shall make available to the Administrative Agent its Main Facility Rateable Portion of the Notional BA Proceeds with respect to such Advance. The Administrative Agent shall, upon fulfilment by such Borrower of the conditions set out in Section 6.2 or Section 6.3, as applicable, make such Notional BA Proceeds available to such Borrower on the date of such Advance by crediting the Designated Account of such Borrower.

4.2 Acceptance Fees

With respect to each draft of Celestica or a Canadian Designated Subsidiary accepted pursuant hereto, such Borrower shall pay to the Administrative Agent for the account of the Lenders, as the case may be, in advance, an acceptance fee calculated at the rate per annum, on the basis of a

year of 365 days or 366 days in the case of a leap year, equal to the Applicable Margin pertaining to the Canadian BA Rate on the Face Amount of such Bankers' Acceptance or the principal amount of an Acceptance Note, as applicable for its term, being the actual number of days in the period commencing on the date of acceptance of such Borrower's draft or the date of such Acceptance Note and ending on but excluding the maturity date of the Bankers' Acceptance or Acceptance Note. Such acceptance fees shall be non-refundable and shall be fully earned on the first day of the Interest Period of the Acceptance Note. Such acceptance fees shall be paid by the Borrower whose draft has been accepted by the Administrative Agent deducting the amount thereof on behalf of the Lenders from what would otherwise be Notional BA Proceeds funded pursuant to Section 4.1.

4.3 Presigned Draft Forms

- (a) Subject to paragraph (b) of this Section 4.3, in order to enable the Lenders to create Banker's Acceptances or Acceptance Notes in the manner specified in this Article 4, Celestica and each Canadian Designated Subsidiary shall supply each Lender with such number of drafts as it may reasonably request, duly signed on behalf of such Borrower. Each Lender hereby indemnifies each such Borrower from and against any damages, losses, costs, expenses or other claims incurred by such Borrower and arising by reason of or resulting from any loss or improper use thereof by such Lender, will exercise and cause its agents to exercise such care in the custody and safekeeping of such drafts as it would exercise in the custody and safekeeping of similar property owned by it and will, upon request by any such Borrower, promptly advise such Borrower of the number and designations, if any, of uncompleted drafts held by it for and on behalf of such Borrower. The signature of any officer of the applicable Borrower on a draft may be mechanically reproduced by the applicable Borrower and any Banker's Acceptance or Acceptance Note bearing a facsimile signature of a duly authorized officer of a Borrower shall be binding upon the applicable Borrower as if it had been manually signed by such person even if such person no longer holds office on the date of its acceptance by the Lender or at any time after such date. No Lender shall be liable for its failure to accept a draft as required hereby if the cause of such failure is, in whole or in part, due to the failure of the applicable Borrower to provide drafts to such Lender on a timely basis in accordance with the terms hereof.
- (b) Each of Celestica and each Canadian Designated Subsidiary hereby irrevocably appoints each Lender as its attorney to sign and endorse on its behalf, manually or by facsimile or mechanical signature, any Banker's Acceptance or Acceptance Note necessary to enable each Lender to make Advances in the manner specified in this Article 4. All Banker's Acceptances or Acceptance Notes signed or endorsed on behalf of the applicable Borrower by a Lender shall be binding on such Borrower, all as if duly signed or endorsed by such Borrower. Each Lender shall (i) maintain a record with respect to any Banker's Acceptance or Acceptance Note completed in accordance with this Section 4.3(b), voided by it for any reason, accepted and purchased or purchased or exchanged, and cancelled at its respective maturity; and (ii) retain such records in the manner and for the statutory periods provided by Applicable Law and make such records available to

Celestica and each Canadian Designated Subsidiary acting reasonably. On request by Celestica or any Canadian Designated Subsidiary, a Lender shall cancel and return to the possession of such Borrower all Banker's Acceptances or Acceptance Notes which have been pre-signed or pre-endorsed on behalf of such Borrower and which are held by such Lender and are not required to make Advances in accordance with this Article 4.

4.4 Term and Interest Periods

The Interest Period of any Bankers' Acceptance shall be specified in the draft and in the Drawdown Notice, Conversion Notice or Rollover Notice related thereto and the Interest Period for any Acceptance Note shall be specified in the Drawdown Notice, Conversion Notice or Rollover Notice related thereto and Interest Period of any Bankers' Acceptance and the Interest Period of an Acceptance Note shall be for periods of approximately 30, 60, 90 or 180 days, unless otherwise agreed to by the Administrative Agent. The Interest Period of each Bankers' Acceptance shall mature, and the Interest Period of an Acceptance Note shall end, on a Banking Day. Each Borrower who delivers a Drawdown Notice, Rollover Notice or Conversion Notice shall ensure that no Bankers' Acceptance issued pursuant thereto shall have an Interest Period ending after the Maturity Date and that no Acceptance Note issued pursuant thereto shall have an Interest Period ending after the Maturity Date.

4.5 Payment on Maturity

A Borrower which has received a Bankers' Acceptance Advance shall pay to the Administrative Agent, for the account of the Lenders, on the maturity date of such Bankers' Acceptance and the last day of the Interest Period of an Acceptance Note an amount equal to the Face Amount of such maturing Bankers' Acceptance or the principal amount of such Acceptance Note, as the case may be; provided that such Borrower may, at its option, so reimburse the Lenders, in whole or in part, by delivering to the Administrative Agent no later than 10:00 a.m. two (2) Banking Days prior to the maturity date of a maturing Bankers' Acceptance or the last day of the Interest Period of an Acceptance Note, as the case may be, a Rollover Notice specifying the term of the Bankers' Acceptances or the next Interest Period for such Acceptance Note, as the case may be, and presenting drafts or Acceptance Notes to the Lenders for acceptance and purchase having, in the case of reimbursement in whole by replacement Bankers' Acceptances or Acceptance Notes, an aggregate Face Amount equal to the Face Amount of the maturing Bankers' Acceptances or principal amount of the Acceptance Notes. In the event that a Borrower fails to deliver a Conversion Notice or Rollover Notice and fails to make payment to the Administrative Agent in respect of the maturing Bankers' Acceptance Advance, the Face Amount of the maturing Bankers' Acceptances and the principal amount of the Acceptance Notes forming part of such Bankers' Acceptance Advance shall be deemed to be converted to a Prime Rate Advance on the relevant maturity date.

4.6 Waiver of Days of Grace

Each of Celestica and any Canadian Designated Subsidiary Borrower renounces and shall not claim any days of grace for the payment of any Bankers' Acceptance or Acceptance Notes.

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4.7 Special Provisions Relating to Acceptance Notes

- (a) Each Borrower and each Lender hereby acknowledges and agrees that from time to time certain Lenders which are Non-Schedule I Lenders may not be authorized to or may, as a matter of general corporate policy, elect not to accept or purchase Bankers' Acceptance drafts, and the Borrowers and each Lender agree that any such Lender may purchase Acceptance Notes of any of Celestica or any Canadian Designated Subsidiary in accordance with the provisions of Section 4.7(b) in lieu of creating Bankers' Acceptances for its account.
- (b) In the event that any Lender described in Section 4.7(a) above is unable to, or elects as a matter of general corporate policy not to, accept or purchase Bankers' Acceptances hereunder, such Lender shall not be required to accept or purchase Bankers' Acceptances hereunder, but rather, if Celestica or any Canadian Designated Subsidiary requests the acceptance of such Bankers' Acceptances, that Borrower shall deliver to such Lender an Acceptance Note or Acceptance Notes of such Borrower having the same maturity as the Bankers' Acceptances to be accepted and in an aggregate principal amount equal to the face amount of such Bankers' Acceptances. Each such Lender hereby agrees to purchase Acceptance Notes from such Borrower at a purchase price equal to the Notional BA Proceeds which would have been applicable if a Bankers' Acceptance draft had been accepted by it and such Acceptance Notes shall be governed by the provisions of this Article 4 as if they were Bankers' Acceptances.

4.8 No Market

If the Administrative Agent determines in good faith and notifies Celestica in writing that, by reason of circumstances affecting the Canadian money market, there is no market for Bankers' Acceptances, then the right of Celestica or any Canadian Designated Subsidiary to request Bankers' Acceptance Advances shall be suspended until the Administrative Agent, acting reasonably, determines that the circumstances causing such suspension no longer exists and the Administrative Agent so notifies Celestica. In such circumstances, any Drawdown Notice for a Bankers' Acceptance Advance which is outstanding shall be cancelled and the Drawdown requested therein shall, at the option of Celestica or any Canadian Designated Subsidiary delivering such Drawdown Notice, either not be made or be made as a Prime Rate Advance.

ARTICLE 5 CHANGE OF CIRCUMSTANCES AND INDEMNIFICATION

5.1 Lender Representation

Each Lender represents to each of Celestica and each Designated Subsidiary and the Administrative Agent that it is either not a non-resident of Canada for the purposes of the *Income Tax Act* (Canada) (the "ITA") or is an "authorized foreign bank" (as defined in the ITA) that holds and will at all times, hold all of its rights and benefits hereunder as part of its "Canadian banking business" (as defined in the ITA) and that it is beneficially entitled to the principal, interest and fees payable to it under the Loan Documents. The foregoing representation shall be

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true and correct and shall be deemed to be given by each Lender on each day that a payment of interest, principal or fees is to be made to it pursuant to a Loan Document.

5.2 Increased Costs

In the event of (i) any Applicable Law coming into force after the date hereof, (ii) any change in any Applicable Law, or in the interpretation or application thereof by any court or by any governmental, regulatory, other authority or central bank charged with the administration thereof, or (iii) compliance by any Lender with any direction, request or requirement (whether or not having the force of law but, if not having the force of law, one with which a responsible bank acting reasonably would comply) of any government, monetary authority, central bank or comparable agency which now or hereafter:

- (a) subjects a Lender to any Tax or changes the basis of taxation, or increases any existing Tax (in each case, except for the coming into force of any Tax or change in the basis of taxation in respect of or the change in the rate of Tax charged on net income as a whole, on franchises or capital applicable to the relevant jurisdictions of the Lender), on payments of principal, interest or other amounts payable by the Borrowers to such Lender under any Loan Document or on or by reference to the amount of any Advances made or to be made by any Lender hereunder or on or by reference to the Commitment of any Lender, or

- (b) imposes, modifies or deems applicable any reserve, liquidity, cash margin, deposit, deposit insurance, assessment, ratio or similar requirements against assets held by, or deposits in or for the account of, or loans by, or otherwise imposes any cost on, any Lender in agreeing to make or making, funding or maintaining all or any of the Advances or its Commitment (including, without limitation, any such requirement imposed by the Board of Governors of the United States Federal Reserve System or by the Bank of England or The Financial Services Authority), or
- (c) has the effect of increasing the amount of overall capital required to be maintained by a Lender or any corporation controlling such Lender, taking into account the existence of such Lender's participation in any Advance or any of its obligations under any Loan Document (including, without limitation, all or any part of its Commitment),

and the result of any of the foregoing is to increase the cost to a Lender, reduce the income receivable by it or reduce the effective return on the capital of such Lender in respect of any Advances and/or its Commitment to an extent which such Lender believes to be material (after consultation with Celestica), the Lender shall give notice thereof to the Administrative Agent and the Administrative Agent shall give notice thereof to the Borrowers (herein called a **"Notice of Amount"**) stating the event by reason of which it believes it is entitled to Additional Compensation (as hereinafter defined), such cost and/or such reduction in such return (or such proportion of such reduction as is, in the reasonable and *bona fide* opinion of such Lender, attributable to its obligations hereunder), the amount of such Additional Compensation (as hereinafter defined) incurred by such Lender and supplying reasonable supporting evidence (including, in the event of change of Applicable Law, a photocopy of the Applicable Law evidencing such change together with a certificate of a duly authorized officer of the Lender

setting forth the Additional Compensation and the basis for calculation of such Additional Compensation and an opinion in writing of such Lender's counsel confirming such change); provided that the Lender shall not be required to disclose any information required to be kept confidential by Applicable Law (in which case the requirement of such confidentiality shall be supported by an opinion of such Lender's counsel) within ten (10) Banking Days of the date of receipt of any Notice of Amount, the amount set out therein (in this Article 5 referred to as **"Additional Compensation"**) shall be paid to the Lender by Celestica (if applicable, on behalf of the relevant Designated Subsidiary) to the Lender. In the event such Lender subsequently recovers all or part of the Additional Compensation paid by the Borrowers, it shall repay an equal amount to such Borrowers.

5.3 Illegality

If, with respect to any Lender, the implementation of any existing provision of Applicable Law or the adoption of any Applicable Law, or any change therein or in the interpretation or application thereof by any court or by any statutory board or commission now or hereafter makes it unlawful for such Lender to make, fund or maintain all or any portion of an outstanding Advance, to maintain all or any part of its Commitment hereunder or to give effect to its obligations in respect of all or any portion of an outstanding Advance, such Lender may, by written notice thereof to the Borrowers and the other Lenders through the Administrative Agent (supported, at the request and expense of the Borrowers, by an opinion of such Lender's counsel), declare the obligations of such Lender under this Agreement to be terminated whereupon the same shall forthwith terminate, and the Borrowers to whom such Lender has made Advances shall repay within the time required by such law (or as promptly as practicable if already unlawful or at the end of such longer period, if any, as such Lender in its *bona fide* opinion may agree) the principal of the Advances made by such Lender. If any such change shall affect only that portion of such Lender's obligations under this Agreement that is, in the *bona fide* opinion of such Lender, severable from the remainder of this Agreement so that the remainder of this Agreement may be continued in full force and effect without otherwise affecting any of the obligations of such Lender or the Borrowers hereunder, such Lender shall declare its obligations under only that portion so terminated.

5.4 Mitigation

- (a) If, in respect of any Lender, circumstances arise which would result, upon the giving of notice, in:
 - (i) Additional Compensation being paid by a Borrower to a Lender under Section 5.2; or
 - (ii) a reduction of all or any of an Advance by such Lender or the Lender's Commitment pursuant to Section 5.3; or
 - (iii) the prepayment of the portion of the Advances outstanding to it pursuant to Section 5.3; or
 - (iv) the payment of any amount by an Obligor under Section 5.5;

then such Lender, promptly upon becoming aware of the same and the possible results thereof, shall notify the Administrative Agent thereof and the Administrative Agent shall notify the Borrowers thereof and, in consultation with the Borrowers shall take such steps, if any, as such Lender in its *bona fide* opinion considers appropriate to mitigate the effects of such circumstances. Without limiting the generality of the foregoing, if it is commercially reasonable, such Lender shall make reasonable efforts to limit the incidence of any such Additional Compensation and seek recovery for the account of the Borrowers upon the Borrower's request and at the Borrower's expense; provided that such Lender in its reasonable determination suffers no appreciable economic, legal, regulatory or other disadvantage. In all events, the Lenders shall promptly co-operate with the Borrowers to the extent possible, to rearrange the affected availability to one that may not be affected by such change, but failure to effect a change in availability shall not relieve the relevant Borrower of its obligation to pay the Additional Compensation. Notwithstanding the foregoing provisions, a Lender shall only be entitled to rely upon the provisions of Section 5.2 if and for so long as it is not treating the Borrowers in any materially different or in any less favourable manner than is applicable to any other customers of any relevant Lender, where such other customers are bound by similar provisions to the foregoing provisions of Section 5.2.

- (b) If any Lender seeks Additional Compensation pursuant to Section 5.2 hereof (the **"Affected Lender"**), then the relevant Borrowers may indicate to the Administrative Agent in writing that they desire to (i) replace the Affected Lender with one or more of the other Lenders, and/or (ii) amend a Drawdown Notice or Notice of Swing Line Borrowing to reduce the amount sought to be borrowed to reflect the reduced amount hereunder, and the Administrative Agent shall then forthwith give notice to the other Lenders that any Lender or Lenders may, in the aggregate, advance all or part of the Affected Lender's Main Facility Rateable Portion of such Advance and, in the aggregate, assume all or part of the Affected Lender's Commitment and obligations hereunder and acquire all or part of the rights of the Affected Lender and assume all or part of the obligations of the Affected Lender under each of the other Loan Documents (but in no event shall any other Lender or the Administrative Agent be obliged to do so). If a Lender shall so agree in writing (herein collectively called the **"Assenting Lenders"** and individually called an **"Assenting Lender"**) with respect to such advance, acquisition and assumption, the Main Facility Rateable Portion of such Advance of each Assenting Lender (other than a Swing Line Advance) and the Commitment and the obligations of such Assenting Lender under this Agreement and the rights and obligations of such Assenting Lender under each of the other Loan Documents shall be increased accordingly on a date mutually acceptable to such Assenting Lender and the Borrowers. On such date, the Assenting Lender shall advance to the relevant Borrowers the relevant portion of the Affected Lender's Main Facility Rateable Portion of the outstanding Advances (other than Swing Line Advances) and the relevant Borrowers shall prepay to the Affected Lender the Advances of the Affected Lender then outstanding, together with all interest accrued thereon and all other amounts owing to the Affected Lender hereunder, and, upon such advance and prepayment, the Affected Lender shall

cease to be a “Lender” for purposes of this Agreement and shall no longer have any obligations hereunder. Upon the assumption of the Affected Lender’s Commitment as aforesaid by an Assenting Lender, Schedule B hereto shall be deemed to be amended to increase the Commitment of such Assenting Lender by the amount of such assumption and to reduce the Commitment of the Affected Lender by a like amount. If no Assenting Lender is found, then in such event, the relevant Borrower is entitled to repay the Affected Lender and reduce its obligations hereunder by such amount so repaid.

5.5 Taxes

- (a) All payments by any Obligor under this Agreement, the Guarantees or any other Loan Document shall be made free and clear of and without deduction or withholding for any and all Taxes, unless required by law. If an Obligor shall be required by law, rule, regulation or the interpretation thereof by the relevant governmental authority to deduct or withhold any such Taxes from or in respect of any sum payable under this Agreement,
- (i) the sum payable shall be increased by such additional amount as may be necessary so that after making all required deductions or withholdings (including deductions or withholdings applicable to additional amounts paid under this Section 5.5), the relevant Lenders or the Administrative Agent, as applicable, receive a net amount equal to the full amount they would have received if no deduction or withholding had been made;
 - (ii) the Obligor shall make such required deductions or withholdings;
 - (iii) the Obligor shall pay the full amount deducted or withheld to the relevant taxation or other authority in accordance with Applicable Law; and
 - (iv) such Obligor shall deliver to the relevant Lender or Administrative Agent, as applicable, as soon as practicable after it has made such payment to the applicable authority (x) a copy of such receipt as is issued by such authority evidencing the deduction or withholding of all amounts required to be deducted or withheld from the sum payable hereunder or (y) if such a receipt is not available from such authority, notice of the payment of such amount deducted or withheld;
- provided that the obligations of an Obligor to pay additional amounts pursuant to this Section 5.5 shall not apply with respect to Taxes arising solely by reason of a Lender or the Administrative Agent, as applicable, having a connection with the jurisdiction that imposes the Taxes other than merely by the execution of this Agreement, receipt of payments under this Agreement, the holding and disposition of Advances, the performance of its obligations or the enforcement of its rights under this Agreement.
- (b) Without prejudice to the foregoing provisions of this Section 5.5, if the Administrative Agent or any Lender (in this Section 5.5, an “**Indemnified Person**”) is required at any time (whether before or after any Obligor has

discharged all of its other obligations hereunder) to make any payment on account of any Tax which an Obligor is required to withhold in accordance with Section 5.5(a) hereof or for which an Obligor is otherwise required to indemnify a Lender or the Administrative Agent pursuant to Sections 5.5(a), (c) or (d) hereof, or if any liability in respect of any such payment is asserted, imposed, levied or assessed against such Indemnified Person, the Obligor in respect of which such sum was received or receivable shall, within 30 days of written demand of the Administrative Agent or Lender, promptly indemnify such Indemnified Person against such payment or liability, together with interest, penalties and expenses payable or incurred in connection therewith including, without limitation, any Tax imposed by any jurisdiction on or in relation to any amounts paid to or for the account of such Indemnified Person pursuant to this Section 5.5. An Indemnified Person intending to make a claim pursuant to this Section 5.5 shall notify the Obligor of the event in respect of which it believes it is entitled to make such claim and supply reasonable supporting evidence including a copy of the relevant portion of any written assessment, provided that any such Indemnified Person shall not be required to disclose any information required to be kept confidential by regulation or contract (in which case the basis of such confidentiality, at the request and expense of the Borrowers, shall be supported by an opinion of counsel of reputable standing).

- (c) If an Obligor fails to pay any Taxes required to be paid by it pursuant to this Section 5.5 when due to the appropriate taxing authority or fails to remit to the Administrative Agent, for the account of the respective Lenders, for the account of the Administrative Agent or for the Administrative Agent’s own account, as applicable, the required receipts or other documentary evidence required by Section 5.5(a)(ii), the Obligor shall indemnify the Lenders or the Administrative Agent, as applicable, for any incremental Taxes, interest or penalties that may become payable by any Lender or the Administrative Agent as a result of any such failure. For purposes of this Section 5.5, a distribution by the Administrative Agent or any Lender to or for the account of any Lender shall be deemed a payment by the Obligor.
- (d) Each Obligor will indemnify the Lenders and the Administrative Agent for the full amount of Taxes imposed by any jurisdiction and paid by such Lender or the Administrative Agent, as applicable with respect to any amounts payable pursuant to this Section 5.5, and any liability arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally asserted. This indemnification shall be made within 30 days from the date such Lender or the Administrative Agent, as applicable makes written demand therefor which demand shall identify the nature and amount of Taxes for which indemnification is being sought and shall include a copy of the relevant portion of any written assessment from the relevant taxing authority demanding payment of such Taxes.
- (e) Without prejudice to the survival of any other agreement contained herein, the agreements and obligations contained in this Section 5.5 shall survive the payment in full of principal, interest, fees and any other amounts payable

hereunder and the termination of this Agreement, the Guarantees and the other Security Documents.

5.6 Tax Refund

- (a) If, following the imposition of any Tax on any payment by any Obligor in consequence of which such Obligor pays an additional amount under Section 5.5(a), any Lender receives or is granted a refund of any Tax actually paid by it which in such Lender’s sole opinion (acting in good faith) is attributable to such additional amount paid by such Obligor and is both identifiable and quantifiable by it without requiring such Lender or its professional advisers to expend a material amount of time or incur a material cost in so identifying or quantifying (any of the foregoing, to the extent so identifiable and quantifiable, being referred to as a “**refund**”), such Lender shall, to the extent that it can do so without prejudice to the retention of the relevant refund and subject to such Obligor’s obligation to repay promptly on demand by the Lender the amount to such Lender if the relevant refund is subsequently disallowed

or cancelled, reimburse such Obligor promptly after receipt of such refund by such Lender with such amount as such Lender shall in its sole opinion but in good faith have concluded to be the amount or value of the relevant refund.

- (b) Nothing contained in this Agreement shall interfere with the right of any Lender to arrange its Tax and other affairs in whatever manner it thinks fit. No Lender shall be required to disclose any confidential information relating to the organization of its affairs.

ARTICLE 6 CONDITIONS PRECEDENT

6.1 Conditions for Closing

The following conditions shall be satisfied on or prior to Closing:

- (a) each Grantor shall have duly authorized, executed and delivered to the Administrative Agent each of the Loan Documents (excluding any Security Document required to be delivered pursuant to or in connection with Section 9.1(p)(i)(B)) to which it is a party including: (i) (x) an amendment and confirmation of its Guarantee if such Grantor has previously provided a Guarantee or, (y) a Guarantee; (ii) other Security Documents required to be delivered on the Closing Date pursuant to Sections 9.1(p)(i) and 9.1(p)(ii); and (iii) in the case of the Borrowers, this Agreement;

and each such Loan Document shall constitute a legal, valid and binding obligation of such Grantor, enforceable against such Grantor in accordance with its terms;

- (b) each Grantor shall have delivered to the Administrative Agent:

- (i) a certified copy of its Organic Documents;

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- (ii) a certified copy of the resolutions authorizing it to enter into, execute and deliver the Loan Documents to which it is a party and to perform its obligations thereunder;

- (iii) a certificate as to the incumbency of its officers signing the Loan Documents to which it is a party; and

- (iv) a certificate of status, good standing or like certificate with respect to such Grantor issued by the appropriate government officials of the jurisdiction of its incorporation;

- (c) there shall have been no Material Adverse Change since December 31, 2006;

- (d) no Default or Event of Default shall have occurred and be continuing;

- (e) opinions of Borrowers' Counsel and local counsel, as applicable, to each Grantor, in form and substance satisfactory to the Lenders' Counsel and the Administrative Agent, each acting reasonably, shall have been delivered to the Administrative Agent;

- (f) none of the undertaking, property or assets of any of the Grantors shall be subject to any Liens other than (i) Permitted Encumbrances or (ii) Liens with respect to which the Administrative Agent shall have received satisfactory evidence of the repayment of the underlying obligation and fully executed discharges and releases thereof (in registrable form where appropriate), and each of the Grantors shall have delivered to the Administrative Agent a Permitted Encumbrance Certificate if any of the undertaking, property or assets of such Grantor is subject to any registered Liens;

- (g) the Borrowers shall have paid all fees and expenses relating to the Facility provided for in this Agreement as set out in Section 2.14 and any other Loan Document, to the extent then owing;

- (h) each Security Document required to be delivered on the Closing Date shall have been registered, filed, recorded or otherwise perfected in the manner required by the law applicable to such Security Document to the satisfaction of the Administrative Agent and Lenders' Counsel, each acting reasonably. Each of the Grantors shall have delivered to the Administrative Agent all certificates evidencing all of the Pledged Shares required to be pledged pursuant to Section 9.1(p)(i)(A)(ii), together with such stock powers, powers of transfer or such other instruments or documents and such actions taken as the Administrative Agent shall deem necessary or desirable, acting reasonably, to perfect its first priority security interest in such Pledged Shares, provided such Pledged Shares are in certificated form or, if such Pledged Shares are not in certificated form, the issuer of such Pledged Shares shall have entered into a securities control agreement with the Administrative Agent, in form and substance satisfactory to the Administrative Agent and Lenders' Counsel, each acting reasonably; and

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- (i) Celestica shall have delivered to the Administrative Agent an Officer's Certificate certifying as of the Closing Date:

- (i) as to the matters in Section 6.1(c) and 6.1(d); and

- (ii) that the applicable schedule attached to such Officer's Certificate sets out a complete list of (A) all Material Restricted Subsidiaries and the jurisdiction of formation for each such Material Restricted Subsidiary; (B) all Restricted Subsidiaries (other than Material Restricted Subsidiaries) and the jurisdiction of formation of each such Restricted Subsidiary; and (C) all Grantors and (x) the jurisdiction of formation of each such Grantor, and (y) each province and/or state in which each such Grantor's tangible assets in Canada and the United States of America are located.

The conditions set forth in this Section 6.1 are inserted for the sole benefit of the Lenders and may be waived by the Administrative Agent on behalf of the Lenders in whole or in part, with or without terms or conditions. Prior to waiving any condition set forth in this Section 6.1, the Administrative Agent shall consult with the Joint Lead Arrangers and shall act reasonably given the views of each of the Joint Lead Arrangers with respect of such waiver.

6.2 Conditions for First Drawdown

The following conditions shall be satisfied by the Borrowers on or prior to the earlier of the first Drawdown Date and the first deemed Drawdown pursuant to Section 3.4 or 3.5:

- (a) the representations and warranties set forth in Section 8.1 shall be true and correct in all material respects on and as of the Drawdown Date, both before and after giving effect to the Drawdown of such Advance and to the application of proceeds therefrom on the Drawdown Date;
- (b) no Default or Event of Default shall have occurred and be continuing, nor shall any such event occur as a result of making the Advances or the application of proceeds therefrom on the Drawdown Date;
- (c) any Borrower which intends to make a Drawdown shall have given the appropriate Drawdown Notice to the Administrative Agent in accordance with the provisions of Section 2.3;
- (d) each Domestic Material Restricted Subsidiary that is not a Grantor shall have executed and delivered to the Administrative Agent (i) an amendment and confirmation of its Guarantee if previously provided in connection with the Existing Credit Agreement, or (ii) a Guarantee;
- (e) opinions of Borrowers' Counsel or local counsel, as applicable, to each Domestic Material Restricted Subsidiary that is not a Grantor, in form and substance satisfactory to the Lenders' Counsel and the Administrative Agent, each acting reasonably, shall have been delivered to the Administrative Agent;

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- (f) none of the undertaking, property or assets of any Domestic Material Restricted Subsidiary that is not a Grantor shall be subject to any Liens other than (i) Permitted Encumbrances or (ii) Liens with respect to which the Administrative Agent shall have received satisfactory evidence of the repayment of the underlying obligation and fully executed discharges and releases thereof (in registrable form where appropriate), and each such Domestic Material Restricted Subsidiary shall have delivered to the Administrative Agent a Permitted Encumbrance Certificate if any of the undertaking, property or assets of such Domestic Material Restricted Subsidiary is subject to any registered Liens;
- (g) if, as at the first Drawdown Date, the Trigger Event has occurred and no Debt Rating Upgrade has ensued and is continuing following the Trigger Event, the obligations set out in Sections 9.1(p)(i) and 9.1(p)(ii) shall have been satisfied, provided that if such obligations have not been satisfied, the Issuing Bank shall issue each Letter of Credit in accordance with any Issuance Request made therefor upon (i) satisfaction of all other requirements in this Section 6.2, and (ii) receipt by the Administrative Agent, on behalf of the Issuing Bank, of an amount equal to the undrawn Face Amount of such requested Letter of Credit to be held as collateral security for the repayment of all Obligations arising under or in connection with such Letter of Credit; and
- (h) the aggregate book value of the trade accounts receivable owing to Celestica or any Restricted Subsidiary (and/or contractual rights relating thereto) that are subject to any Securitization Transaction does not exceed the limit set out in Section 9.1(o).

6.3 Conditions for Subsequent Drawdowns

The following conditions shall be satisfied by the Borrower requesting an Advance at or prior to the time of each Drawdown of an Advance under the Facility (other than a deemed Drawdown pursuant to the provisions of Section 3.4 or 4.5) subsequent to the first Drawdown after the date hereof:

- (a) a Borrower shall have given to the Administrative Agent a Drawdown Notice in accordance with the provisions of Section 2.3;
- (b) the representations and warranties set forth in Section 8.1 shall be, *mutatis mutandis*, true and correct in all material respects on and as of the Drawdown Date, both before and after giving effect to the Drawdown of such Advance and to the application of proceeds therefrom on the Drawdown Date;
- (c) no Default or Event of Default shall have occurred and be continuing, nor shall any such event occur as a result of making the Advances or the application of proceeds therefrom on the Drawdown Date;
- (d) if the Borrower requesting the Advance is a Restricted Subsidiary that has become a Designated Subsidiary, the Guarantee required by Section 9.1(m) to have been delivered by that Designated Subsidiary shall have been delivered to the

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Administrative Agent notwithstanding that the 45 day period referred to therein may not have expired;

- (e) if, as at such Drawdown Date, the Trigger Event has occurred and no Debt Rating Upgrade has ensued following the Trigger Event, the obligations set out in Sections 9.1(p)(i) and 9.1(p)(ii) shall have been satisfied, provided that if such obligations have not been satisfied, the Issuing Bank shall issue each Letter of Credit in accordance with any Issuance Request made therefor upon (i) satisfaction of all other requirements in this Section 6.3, and (ii) receipt by the Administrative Agent, on behalf of the Issuing Bank, of an amount equal to the undrawn Face Amount of such requested Letter of Credit to be held as collateral security for the repayment of all Obligations arising under or in connection with such Letter of Credit; and
- (f) the aggregate book value of the trade accounts receivable owing to Celestica or any Restricted Subsidiary (and/or contractual rights relating thereto) that are subject to any Securitization Transaction does not exceed the limit set out in Section 9.1(o).

6.4 Conditions for Certain Material Restricted Subsidiaries, Restricted Subsidiaries and Grantors

The following conditions shall be satisfied by the Non-Domestic Material Restricted Subsidiaries that are not Grantors, the Restricted Subsidiaries that are not Grantors, and Grantors that hold Pledged Shares directly in any Non-Domestic Material Restricted Subsidiary, as applicable:

- (a) within forty-five (45) days after the Closing Date, or such later date as Celestica and the Administrative Agent, for and on behalf of the Lenders, may agree, each Non-Domestic Material Restricted Subsidiary that is not a Grantor shall have executed and delivered to the Administrative Agent (i) an amendment and confirmation of its Guarantee if previously provided in connection with the Existing Credit Agreement, or (ii) a Guarantee;
- (b) within forty-five (45) days after the Closing Date, or such later date as Celestica and the Administrative Agent, for and on behalf of the Lenders, may agree, opinions of local counsel to each Non-Domestic Material Restricted Subsidiary that is not a Grantor, in form and substance satisfactory to the Lenders' Counsel and the Administrative Agent, each acting reasonably, shall have been delivered to the Administrative Agent;
- (c) to the extent permitted by applicable law, as soon as reasonably practicable, and in any event, within sixty (60) days after the Closing Date, each Grantor that holds any Pledged Shares directly in a Non-Domestic Material Restricted Subsidiary shall have granted the security interest described in Section 9.1(p)(i) (B) and shall have delivered all Security Documents, opinions, share certificates and other certificates necessary or reasonably desirable in connection with such Security Documents; and

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- (d) within ninety (90) days after the Closing Date or such later date as Celestica and the Administrative Agent, for and on behalf of the Lenders, may agree, none of the undertaking, property or assets of any Restricted Subsidiary that is not a Grantor or a Domestic Material Restricted Subsidiary shall be subject to any Liens other than (i) Permitted Encumbrances or (ii) Liens with respect to which the Administrative Agent shall have received satisfactory evidence of the repayment of the underlying obligation and fully executed discharges and releases thereof, and each such Restricted Subsidiary shall have delivered to the Administrative Agent a Permitted Encumbrance Certificate if any of the undertaking, property or assets of such Restricted Subsidiary is subject to any registered Liens.

The conditions set forth in this Section 6.4 are inserted for the sole benefit of the Lenders and may be waived by the Administrative Agent on behalf of the Lenders in whole or in part, with or without terms or conditions. Prior to waiving any condition set forth in this Section 6.4, the Administrative Agent shall consult with the Joint Lead Arrangers and shall act reasonably given the views of each of the Joint Lead Arrangers with respect of such waiver.

ARTICLE 7 PROVISIONS RELATING TO SUBSIDIARIES

7.1 Designated Subsidiaries

- (a) The Administrative Agent and the Lenders acknowledge and agree and Celestica hereby confirms that Celestica has designated Celestica International as a Canadian Designated Subsidiary and that there are not, on the date hereof, any other Designated Subsidiaries.
- (b) Celestica may, from time to time and at any time hereafter, designate any other wholly-owned qualifying Restricted Subsidiary as a Canadian Designated Subsidiary provided that:
- (i) all Lenders shall have previously consented in writing to the designation of such Subsidiary as a Canadian Designated Subsidiary;
 - (ii) such Subsidiary was incorporated, continued, amalgamated or otherwise created in accordance with and continues to be governed by the laws of a province of Canada or the federal laws of Canada and which is domiciled in Canada;
 - (iii) such Restricted Subsidiary, prior to becoming a Designated Subsidiary, shall have executed and delivered to the Administrative Agent: (A) a Designated Subsidiary Agreement; (B) if it has not already done so, a Guarantee substantially in the form of Schedule H; and (C) unless a Debt Rating Upgrade has occurred and no Trigger Event has ensued following such Debt Rating Upgrade, if it has not already done so, the other applicable Security Documents; and

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- (iv) the Restricted Subsidiary which is proposed to become a Designated Subsidiary shall have delivered to the Administrative Agent:
- (A) a certified copy of the proposed Designated Subsidiary's Organic Documents;
 - (B) a certified copy of the resolutions authorizing it to enter into, execute and deliver the Designated Subsidiary Agreement, the Guarantee and the other applicable Security Documents, if applicable, and to perform its obligations thereunder;
 - (C) a certificate as to the incumbency of its officers signing the Designated Subsidiary Agreement, the Guarantee and the other applicable Security Documents, if applicable;
 - (D) a certificate of status, good standing or like certificate with respect to such Designated Subsidiary issued by appropriate government officials of the jurisdiction of its incorporation; and
 - (E) an opinion of counsel to the Designated Subsidiary in form and substance satisfactory to the Lenders' Counsel and the Administrative Agent, each acting reasonably;
- (c) Celestica may, from time to time and at any time hereafter, designate any other wholly-owned Restricted Subsidiary which does not fall within the definition of "**Canadian Designated Subsidiary**" as a Consent Designated Subsidiary, provided that:
- (i) all Lenders shall have previously consented in writing to the designation of such Subsidiary as a Consent Designated Subsidiary;
 - (ii) Celestica shall have obtained the agreement in writing of a Lender located in the jurisdiction where such Consent Designated Subsidiary is resident, to utilize, subject to the terms of this Agreement, a portion of the Commitment of such Lender or its Affiliate to make Advances to the Consent Designated Subsidiary and such Lender shall have delivered a notice to the Administrative Agent in the form of Schedule M;
 - (iii) such Subsidiary, prior to becoming a Consent Designated Subsidiary, shall have executed and delivered to the Administrative Agent: (A) a Designated Subsidiary Agreement substantially in the form of Schedule F; (B) a Guarantee substantially in the form of Schedule H, with such changes as the Administrative Agent and the Consent Designated Subsidiary may reasonably require on the advice of their respective counsel to reflect local legal requirements; and (C) unless a Debt Rating Upgrade has occurred and no Trigger Event has ensued following such Debt Rating Upgrade, if it has not already done so, the other applicable Security Documents; and

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- (iv) the Restricted Subsidiary which is proposed to be designated as a Consent Designated Subsidiary shall have provided to the Administrative Agent such number of copies as the Administrative Agent may request of:
- (A) a certified copy of the proposed Consent Designated Subsidiary's Organic Documents;
 - (B) the resolutions authorizing it to enter into, execute and deliver the Designated Subsidiary Agreement, the Guarantee and the other applicable Security Documents, if applicable, and to perform its obligations thereunder;
 - (C) a certificate to the incumbency of its officers signing the Consent Designated Subsidiary Agreement, the Guarantee and other applicable Security Documents, if applicable;

- (D) a certificate of status, good standing or like certificate with respect to such Consent Designated Subsidiary issued by appropriate government officials of the jurisdiction of its incorporation; and
 - (E) an opinion of counsel to the Consent Designated Subsidiary in form and substance satisfactory to the Lenders' Counsel and the Administrative Agent, each acting reasonably; and
- (d) Celestica may, from time to time and at any time hereafter, terminate the designation of a Designated Subsidiary as such by the delivery of written notice to the Administrative Agent and from and after the day which is five (5) Banking Days after receipt of such notice, the subject Subsidiary shall no longer be a Designated Subsidiary and shall have no further right or ability to obtain further Advances under the Facility.

7.2 Intentionally Deleted

7.3 Material Restricted Subsidiaries to Provide Guarantees

- (a) Each Subsidiary of Celestica which is or becomes a Material Restricted Subsidiary shall comply with the requirements of Section 9.1(m).
- (b) In the event that a Material Restricted Subsidiary ceases to be a Material Restricted Subsidiary as a result of the diminution of the value of its assets such that the aggregate value thereof does not meet the applicable threshold set out in the definition of Material Restricted Subsidiary under this Agreement, Celestica may request and the Administrative Agent shall, in its reasonable discretion, release the Guarantee executed by such Material Restricted Subsidiary unless such Guarantee is required to render the Security granted by such Material Restricted Subsidiary valid and enforceable; provided that any Security granted by such Material Restricted Subsidiary shall be released in accordance with Section 9.1(p)(vi) if it also ceases to be a Grantor.

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7.4 Unrestricted Subsidiaries

Celestica may, from time to time and at any time hereafter, designate any Subsidiary as an Unrestricted Subsidiary so long as:

- (a) (i) such Subsidiary shall not be a Subsidiary existing as at the date of this Agreement; (ii) such Subsidiary shall never have been a Designated Subsidiary; and (iii) such Subsidiary shall never have been a Restricted Subsidiary;
- (b) neither Celestica nor any of its Subsidiaries (other than Unrestricted Subsidiaries) shall be liable, contingently or otherwise, for any indebtedness or other liability or obligation of the Unrestricted Subsidiary, except for guarantees provided by the immediate parent of such Unrestricted Subsidiary in respect of indebtedness of such Unrestricted Subsidiary, where such guarantees are:
 - (i) made solely for the purpose of facilitating a pledge by the guarantor of Shares of such Unrestricted Subsidiary; and
 - (ii) the recourse under such guarantees are limited to such pledged Shares; and
- (c) neither Celestica nor any of its Restricted Subsidiaries shall have applied the proceeds of any Advance under the Facility to fund the equity of, or otherwise capitalize the Unrestricted Subsidiary.

Provided that an Event of Default has not occurred and is not continuing, Celestica may from time to time and at any time hereafter, designate an Unrestricted Subsidiary as a Restricted Subsidiary provided that:

- (i) immediately upon giving effect to such designation, Celestica shall remain in compliance with all covenants set out in Section 9.3 on a pro-forma (four quarter) basis; and
- (ii) the designation of such Unrestricted Subsidiary as a Restricted Subsidiary would not otherwise result in the occurrence of a Default or an Event of Default.

ARTICLE 8 REPRESENTATIONS AND WARRANTIES

8.1 Representations and Warranties

Each Borrower represents and warrants as follows to the Administrative Agent and the Lenders and acknowledges and confirms that the Administrative Agent and the Lenders are relying upon such representations and warranties:

- (a) **Organization, etc.** Each Obligor is validly organized and existing and in good standing under the laws of the jurisdiction of its incorporation, creation or continuance, is duly qualified to do business and is qualified as a foreign corporation, company or other entity in each jurisdiction where the nature of its business requires such qualification, except where the failure to be so qualified

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would not reasonably be likely to have Material Adverse Effect, and has full power and authority and holds all requisite governmental licences, permits and other approvals to enter into and perform its obligations under the Loan Documents to which it is a party and except where failure to hold such licenses, permits or approvals would not reasonably be likely to have a Material Adverse Effect to own or hold under lease its property and to conduct its business substantially as currently conducted by it.

- (b) **Validity, etc.** Each Obligor has duly executed and delivered each Loan Document to which it is a party and, except as set out in Section 8.4(a), each such Loan Document constitutes a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms.
- (c) **Due Authorization, Non-contravention etc.** The execution, delivery and performance by each Obligor of each Loan Document to which it is a party are within its corporate powers, have been duly authorized by all necessary corporate action by it, and do not
 - (i) contravene its Organic Documents;

- (ii) contravene any Applicable Law or contractual restriction; or
- (iii) result in, or require the creation or imposition of, any Lien on any of its properties.
- (d) **Government Approval, Regulation, etc.** Except as set out in Section 8.4(a), no authorization or approval or other action by, and no consent from, notice to or filing with, any Official Body or other Person is required for the due execution, delivery or performance by any Obligor of any Loan Document to which it is a party or in order to render any such Loan Document legal, valid, binding or enforceable against such Obligor.
- (e) **Financial Statements.** The consolidated audited financial statements of Celestica and its Subsidiaries as at December 31, 2006 fairly present the financial condition of Celestica and its Subsidiaries as at such date and the results of their operations for the fiscal year then ended, in accordance with GAAP consistently applied. Since December 31, 2006 there has been no Material Adverse Change.
- (f) **Litigation, Labour Controversies, etc.** There is no pending or, to the knowledge of Celestica and the Restricted Subsidiaries, threatened litigation, action, proceeding, or labour controversy affecting Celestica or any of the Restricted Subsidiaries, or any of their respective properties, businesses, assets or revenues, which would reasonably be likely to have a Material Adverse Effect or purports to affect the legality, validity or enforceability of any Loan Document.
- (g) **Licences, etc. and Compliance with Laws.** All material licences, franchises, certificates, consents, rights, approvals, authorizations, registrations, orders and permits required under Applicable Law (other than Environmental Laws) to enable each of the Borrowers and each Restricted Subsidiary to carry on their

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respective businesses as now conducted by them and to own or lease their respective properties have been duly obtained and are currently subsisting. Each of the Borrowers and each Restricted Subsidiary have complied in all material respects with the terms and provisions presently required to be complied with by them in all such material licences, franchises, certificates, consents, rights, approvals, authorizations, registrations, orders and permits and with Applicable Law (other than Environmental Laws) and are not in violation of any of the respective provisions thereof if such non-compliance or violation would reasonably be likely to have a Material Adverse Effect.

- (h) **Compliance with Environmental Laws.** Each of the Borrowers and the Subsidiaries and all facilities and property now or formerly owned, operated or leased by them:
 - (i) are and have been in compliance with all Environmental Laws, including, without limitation, with respect to the release, spill, leak, pumping, pouring, emptying, injection, escape, leaching, dumping, spraying, burial, abandonment, incineration, seepage, placement, emission, deposit, issuance, discharge, transportation or disposal (“**Release**”) of any Hazardous Material in or over the water, atmosphere or soil other than for non-compliance with Environmental Laws which would not reasonably be likely to have a Material Adverse Effect;
 - (ii) have no contingent liabilities in connection with any Release or likely Release of Hazardous Materials and have not Released or caused or permitted the Release of Hazardous Materials, and have no knowledge of Releases by others, at, on or under any property now or previously owned, operated or leased by Celestica and its Material Restricted Subsidiaries that, with respect to any of the foregoing, singly or in the aggregate, would reasonably be likely to have a Material Adverse Effect;
 - (iii) have not received notice of and are not aware of any pending or threatened claims, complaints, notices, orders, directions, instructions or requests for information with respect to any alleged violation of or potential liability under any Environmental Law which would reasonably be likely to have a Material Adverse Effect;
 - (iv) have been issued and are in compliance with all permits, certificates, approvals, licences and other authorizations relating to environmental matters and necessary or desirable for the Business other than for any such non-issuances and non-compliances which would not reasonably be likely to have a Material Adverse Effect and each such permit, certificate, approval, licence or other authorization the absence of which would reasonably be likely to have a Material Adverse Effect is in good standing and there are no proceedings pending or, to the knowledge of the Borrowers, threatened to revoke, amend or limit in any material respect any such permit, certificate, approval, licence or other authorization;

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- (v) have no underground storage tanks, active or, to the knowledge of the Borrowers, abandoned, including petroleum storage tanks, on or under any such property that, singly or in the aggregate, would reasonably be likely to have a Material Adverse Effect;
- (vi) have not directly transported or directly arranged for the transportation of any Hazardous Substances in violation of Environmental Laws or to any location which would reasonably be likely to lead to claims against them for any remedial work, damage to the environment or natural resources or personal injury, including claims under CERCLA, which in any such case would reasonably be likely to have a Material Adverse Effect;
- (vii) have no polychlorinated biphenyls or friable asbestos present at any such property that, singly or in the aggregate, would reasonably be likely to have a Material Adverse Effect;
- (viii) have no conditions which exist at, on or under any such property which, with or without the passage of time, or the giving of notice or both, would give rise to liability under any Environmental Laws which would reasonably be likely to have a Material Adverse Effect; and
- (ix) is not listed or proposed for listing on the National Priorities List pursuant to CERCLA, on the CERCLIS or on any similar state list of sites or Persons requiring investigation or clean up where the liability imposition and allocation regime provided for in the applicable state Environmental Law is similar to CERCLA, including, without limitation, the ability of governments and other parties to recover costs from other responsible or potentially responsible persons, except for any such listing or proposed listing which would not reasonably be likely to have a Material Adverse Effect.
- (i) **Encumbrances.** There are no Liens on any of the assets or undertaking of the Borrowers or any Restricted Subsidiary other than Permitted Encumbrances.
- (j) **No Default or Event of Default.** No Default or Event of Default has occurred and is continuing.
- (k) **Accuracy of Information.** All factual information heretofore or contemporaneously furnished by or on behalf of Celestica in writing to the Administrative Agent for the purposes of or in connection with this Agreement is true and accurate in every material respect on the date as of which such information is

dated or certified and as of the date of execution and delivery of this Agreement, and such information is not incomplete by omitting to state any material fact necessary to make such information not misleading.

- (l) **No Action for Winding-Up or Bankruptcy.** There has been no involuntary action taken against any of the Borrowers or any Restricted Subsidiary for any such corporation's winding-up, dissolution, liquidation, bankruptcy, receivership,

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administration or similar or analogous events in respect of such corporation or all or any material part of its assets or revenues.

- (m) **Taxes.** Each Borrower and each of its Subsidiaries have duly filed on a timely basis all tax returns required to be filed by them except where such failure to file would not reasonably be likely to have a Material Adverse Effect and have paid all Taxes which are due and payable by them, and all assessments and re-assessments, and all other Taxes, governmental charges, governmental royalties, penalties, interest and fines claimed against them, other than those for which liability is being contested by them in good faith by appropriate proceedings and for which adequate provision has been made where required in accordance with GAAP or in respect of which such failure to pay would not reasonably be likely to have a Material Adverse Effect, and all required instalment payments have been made in respect of Taxes payable for the current period for which returns are not yet required to be filed except where such failure to pay would not reasonably be likely to have a Material Adverse Effect; there are no agreements, waivers or other arrangements providing for an extension of time with respect of the filing of any tax returns by them or the payment of any Taxes except where such agreements, waivers or other arrangements would not reasonably be likely to have a Material Adverse Effect; there are no actions or proceedings to be taken by any taxation authority of any jurisdiction to enforce the payment of any Taxes by them other than those which are being contested by them in good faith by appropriate proceedings and which proceedings have been stayed for the duration of such contestation.
- (n) **Pension Plans.** Except as would not be reasonably likely to have a Material Adverse Effect, (i) all Pension Plans are duly established, registered, qualified, administered and invested in compliance with the terms thereof, any applicable collective agreements and Applicable Law; (ii) no events have occurred and no action has been taken by any Person which would reasonably be likely to result in the termination or partial termination of any Pension Plan, whether by declaration of any Superintendent of Pensions or otherwise; (iii) none of the Borrowers have withdrawn any assets held in respect of any Pension Plan except as permitted under the terms thereof and Applicable Laws; (iv) no Pension Plan has a "solvency deficiency" or "going concern unfunded liability" as defined in the *Pension Benefits Act* (Ontario) and the regulations enacted thereunder, as amended; (v) all contributions, premiums and other payments required to be paid to or in respect of each Pension Plan have been paid in a timely fashion in accordance with the terms thereof and Applicable Law and no taxes, penalties or fees are owing or exigible in respect of any Pension Plan; and (vi) no actions, suits, claims, or proceedings are pending or, to the knowledge of the Borrower, threatened in respect of any Pension Plan or its assets, other than routine claims for benefits. For the purposes of this section, and for greater certainty, "Applicable Law" shall include, without limitation, any federal or provincial pension benefits legislation and the *Income Tax Act* (Canada).
- (o) **Regulations U and X.** No Borrower is engaged in the business of extending credit for the purpose of purchasing or carrying margin stock. None of the

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proceeds from the Facility will be used for the purpose of purchasing or carrying directly or indirectly margin stock or for any other purpose that would constitute this transaction a "Purpose Credit" within the meaning of Regulations U and X of the Board of Governors of the Federal Reserve System, as any of them may be amended from time to time.

- (p) **Investment Company Act.** No Obligor is an "investment company" within the meaning of, or subject to regulations under, the United States *Investment Company Act of 1940*.
- (q) **Public Utility Holding Company Act.** No Obligor is an "affiliate" or a "subsidiary company" of a "public utility company" for a "holding company" or an "affiliate" or a "subsidiary company" of a "public utility company" as such terms are defined in the United States *Public Utility Holding Company Act of 1935*.

8.2 Survival of Representations and Warranties

The representations and warranties set out in this Article 8 and in any Loan Document shall survive the execution and delivery of this Agreement and the making of any Advances to the Borrowers, notwithstanding any investigations or examinations which may be made by the Administrative Agent or any Lender or any counsel to any of them.

8.3 Deemed Repetition of Representations and Warranties

Each of the representations set out in Section 8.1 and in any Security Document shall be true and correct in all material respects and shall be deemed to be given on the occurrence of (i) the Drawdown, Conversion or Rollover of an Advance, (ii) the acceptance of drafts presented for acceptance as Bankers' Acceptances or Acceptance Notes, and (iii) the issuance of a Letter of Credit, in each case by reference to the facts and circumstances existing on the date of such Drawdown or acceptance or issuance.

8.4 Guarantees from Chinese Material Restricted Subsidiaries

- (a) Pursuant to the Applicable Laws of the People's Republic of China ("PRC"), it is necessary to obtain the verification and approval of the relevant local branch of the State Administration of Foreign Exchange ("SAFE") in respect of any currency conversions and any payments out of the PRC or any payments to foreign-invested financial institutions in the PRC pursuant to any Guarantee provided by a Material Restricted Subsidiary established under the Applicable Laws of the PRC (a "Chinese Material Restricted Subsidiary") and in order to ensure the legality, validity, effectiveness, enforceability or admissibility in evidence of a Guarantee made by it, a Chinese Material Restricted Subsidiary must register such Guarantee, or any change, amendment or modification of such Guarantee with the SAFE (such verification and approval of, and registration with, the relevant local branch of the SAFE with respect to a Guarantee, a "SAFE Registration").

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- (b) In connection with Section 9.1(m), Celestica shall cause each Chinese Material Restricted Subsidiary to file as soon as reasonably practicable after execution of a Guarantee or any confirmation, change, amendment or modification of a Guarantee any necessary documents with the relevant local branch of the SAFE and to use commercially reasonable efforts in order to complete the SAFE Registration. Notwithstanding the foregoing, it is acknowledged and agreed that a Chinese Material Restricted Subsidiary is not required to execute and deliver a Guarantee, or any confirmation, change, amendment or

modification of a Guarantee, or deliver documents listed in Section 9.1(m)(i)(B)(II) and Section 9.1(m)(i)(B)(III) unless counsel to such Chinese Material Restricted Subsidiary is of the opinion that a SAFE Registration for such Guarantee, or confirmation, change, amendment or modification of a Guarantee, will subsequently be effected.

- (c) For the purposes of the proviso in the definition of Material Restricted Subsidiary, the unconsolidated assets of any Chinese Material Restricted Subsidiary that: (i) has provided a Guarantee or any confirmation, change, amendment or modification of a Guarantee for which no SAFE Registration has been obtained; or (ii) has not provided a Guarantee or any confirmation, change, amendment or modification of a Guarantee in accordance with the last sentence of Section 8.4(b), shall be considered to be unconsolidated assets of a Restricted Subsidiary that is not a Material Restricted Subsidiary, until such time as the SAFE Registration of such Guarantee or such confirmation, change, amendment or modification of such Guarantee has been completed.

ARTICLE 9 COVENANTS

9.1 Affirmative Covenants

Celestica covenants and agrees with each of the Lenders that, unless the Majority Lenders otherwise consent in writing, so long as any amount payable hereunder or under the Loan Documents is outstanding or any of the Lenders has any Commitment hereunder:

- (a) **Financial Reporting.** Celestica shall deliver to the Administrative Agent, with sufficient copies for distribution to each of the Administrative Agent and each of the Lenders:
- (i) within 60 days after the end of each of its fiscal quarters in each fiscal year, commencing with the fiscal quarter ending December 31, 2006, the unaudited financial statements of Celestica on a consolidated basis, each consisting of a balance sheet, statement of income and statement (in the form customarily prepared by Celestica for internal reporting purposes) of changes in financial position as at the end of such fiscal quarter and for the period commencing with the end of the previous fiscal quarter and ending with the end of such fiscal quarter, together with the figures for the year-to-date and setting forth, in each case, in comparative form to the figures for the corresponding fiscal quarter of the previous fiscal year;
 - (ii) within 120 days after the end of each fiscal year of Celestica, the audited consolidated financial statements of Celestica for such year setting forth the corresponding figures for the previous fiscal year in comparative form, together with the report thereon of an independent auditor of recognized national standing, each consisting of a balance sheet, statement of income and statement of changes in financial position;
 - (iii) within 60 days after the end of each fiscal quarter of Celestica in each fiscal year, commencing with the fiscal quarter ending December 31, 2006, an Officer's Certificate of Celestica substantially in the form of Schedule D stating that:
 - (A) Celestica is in compliance with the covenants set forth in this Article 9 and that no Default or Event of Default has occurred and is continuing (or specifying such non-compliance or Default or Event of Default and stating what action, if any, Celestica is taking or is causing to be taken in connection therewith) and providing: (x) a calculation of the ratios referred to in Sections 9.3(a) and (b), in each case as at the last day of the relevant period; and (y) a calculation of the available disposition allowance referred to in Section 9.2(b)(vii) as at the last day of such fiscal quarter; and
 - (B) Celestica has determined that the unconsolidated assets of all Restricted Subsidiaries which are not Material Restricted Subsidiaries do not, or will not, after giving effect to the Guarantees delivered by the Restricted Subsidiaries listed in a schedule thereto, exceed ten per cent (10%) of the unconsolidated assets of the Borrowers and the Restricted Subsidiaries on the date referenced in the most recently delivered set of financial statements delivered pursuant to Section 9.1(a)(i);
 - (iv) in the event that Celestica delivers filings other than the financial statements referred to in clauses (i) to (iii) above to any securities commission, stock exchange or similar regulatory authority, such filings concurrently with the delivery of such filings to the securities commission, stock exchange or similar regulatory authority; and
 - (v) such other information respecting the condition or operations, financial or otherwise, of Celestica or any Subsidiary (other than an Unrestricted Subsidiary) as any Lender through the Administrative Agent may from time to time reasonably request.
- (b) **Corporate Status.** Subject to transactions undertaken in compliance with Section 13.12, Celestica shall remain a corporation duly incorporated and validly subsisting under the laws of the Province of Ontario or the federal laws of Canada and each of the Restricted Subsidiaries shall remain validly organized and existing and in good standing under the laws of its jurisdiction of formation or continuance.

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- (c) **Maintenance of Business and Properties.** Each of Celestica and each Restricted Subsidiary shall, and shall cause each of its Subsidiaries (except for Unrestricted Subsidiaries) to, continue its business, maintain, preserve, protect and keep its properties in good repair, working order and condition, reasonable wear and tear excepted, and make necessary and proper repairs, renewals and replacements so that its business carried on in connection therewith may be properly conducted at all times unless Celestica or such Restricted Subsidiary determines in good faith that the continued maintenance of any of its properties is no longer desirable.
- (d) **Notice of Event of Default.** Celestica shall deliver to the Administrative Agent, forthwith upon becoming aware of any Default or Event of Default, a certificate of an officer of Celestica specifying such Default or Event of Default together with a statement of an officer of Celestica setting forth details of such Default or Event of Default and the action which has been, or is proposed to be, taken with respect thereto.
- (e) **Other Notifications.** Celestica shall at any time upon request of the Administrative Agent, acting reasonably, provide to the Administrative Agent an up to date corporate chart showing Celestica and all of its Subsidiaries and shall promptly notify the Administrative Agent of:
- (i) (x) any change in the name or organization of any Obligor; and; (y) any change in the location of the registered office or executive office of any Obligor;
 - (ii) the non-compliance with any Environmental Law or any environmental claim, complaint, notice or order issued to any of the Borrowers, or any of the Subsidiaries, or any other environmental condition or event where such non-compliance, condition or event would reasonably be likely to have

a Material Adverse Effect. As soon as practicable thereafter, Celestica shall advise the Administrative Agent as to the actions which the Borrowers or any such Subsidiary intends to take in connection with any such claim, complaint, notice or order;

- (iii) the institution of any steps by the Borrower or any other Person to terminate any Pension Plan which would reasonably be likely to have a Material Adverse Effect, failure to make a required contribution to any Pension Plan if such failure is sufficient to give rise to a Lien under Section 3.02(f) of ERISA, the taking of any action with respect to a Pension Plan which could reasonably be expected to result in the requirement that a Borrower furnish a bond or other security to the PBGC or such Pension Plan, the occurrence of any event with respect to any Pension Plan which would reasonably be likely to have a Material Adverse Effect and copies of all documentation relating thereto; and
- (iv) the entering into by Celestica or any Restricted Subsidiary of any Permitted Securitization Transaction (together with such information regarding such Permitted Securitization Transaction as the Administrative Agent may reasonably request).

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- (f) **Compliance with Laws, etc.** Each of Celestica and the Restricted Subsidiaries will, and will cause each of its Subsidiaries to, comply in all material respects with Applicable Laws, such compliance to include (without limitation) its qualification as a foreign corporation in all jurisdictions in which such qualification is legally required for the conduct of its business.
 - (g) **Payment of Taxes.** The Borrowers shall, and the Borrowers shall cause each of the Subsidiaries to, pay or cause to be paid, when due, all Taxes including, property taxes, business taxes, social security premiums, assessments and governmental charges or levies imposed upon it or upon its income, sales, capital or profit or any property belonging to it unless any such Tax, social security premiums, assessment, charge or levy is contested by it in good faith with adequate provision or reserve, where required by GAAP, and to withhold and remit when due all payroll and withholding taxes.
 - (h) **Insurance.** Each of Celestica and the Restricted Subsidiaries will, and will cause each of its Subsidiaries (except for Unrestricted Subsidiaries) to, maintain or cause to be maintained insurance with responsible insurance companies with respect to its properties and business against such casualties and contingencies, of such types, and in such amounts as is customary in the case for similar businesses operating in similar geographic locations. Notwithstanding the foregoing, Celestica and each of the Restricted Subsidiaries shall be permitted to self-insure only where self-insurance is usual and customary for the type of risk, and for companies in substantially the same line of business and operating in the same geographic location as Celestica or the Restricted Subsidiary, as applicable, and where customary and usual reserves or provisions are taken in respect of such self-insurance by Celestica or the Restricted Subsidiary, as applicable. Upon request of the Administrative Agent, Celestica will furnish to the Administrative Agent for distribution to the Lenders at reasonable intervals a certificate of an authorized officer of Celestica setting forth the nature and extent of all insurance maintained by Celestica and the Restricted Subsidiaries in accordance with this Section which certificate shall specify the risks for which Celestica or any Restricted Subsidiary have self-insured and the amount of the provisions or reserves, if any, held or made in respect of such self-insurance.
 - (i) **Books and Records.** Celestica and each Restricted Subsidiary will, and will cause each of its Subsidiaries to, keep books and records which accurately reflect all of its business affairs and transactions. Celestica will permit the Administrative Agent and each Lender or any of their respective representatives, at reasonable times and customary intervals during normal business hours, to visit Celestica's offices and to discuss its financial matters with Celestica's financial officers. Upon the occurrence of and during the continuation of a Default, Celestica and each Restricted Subsidiary shall permit the Administrative Agent and each Lender or any of their respective representatives at any time to visit all of its offices, to discuss its financial matters with its officers and its independent chartered accountant (and each of Celestica and each Restricted Subsidiary hereby authorizes such independent chartered accountant to discuss their financial matters with the Administrative Agent and each Lender or its representatives

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whether or not any representative of Celestica or the Restricted Subsidiary is present) and to examine (and, at the expense of the Borrowers, photocopy extracts from) any of its books or corporate records. The Borrowers shall pay any fees of such independent chartered accountant incurred in connection with the Administrative Agent's or any Lender's exercise of its rights pursuant to this Section.

- (j) **Designated Subsidiaries to Remain Subsidiaries.** Each Designated Subsidiary (or its Successor Corporation within the meaning of Section 13.12) shall remain a directly or indirectly wholly-owned Subsidiary of Celestica, except where the laws of the jurisdiction of incorporation of such Designated Subsidiary require qualifying shares of such Designated Subsidiary to be owned by another Person.
- (k) **Punctual Payment.** Celestica will, and will cause each Obligor to duly and punctually pay or cause to be paid all amounts due under this Agreement and the other Loan Documents at the dates and places, in the currencies and in the manner provided in this Agreement and any other Loan Documents.
- (l) **Ratings Maintenance.** Celestica shall maintain a credit rating with the Approved Credit Rating Agencies and shall forthwith notify the Administrative Agent in the event that any rating by an Approved Credit Rating Agency is downgraded or in the event that the rating of Celestica shall have been placed under review by an Approved Credit Rating Agency.
- (m) **Material Restricted Subsidiary Guarantees.**
 - (i) Subject to clauses (ii) and (iii) and Section 8.4(b), Celestica shall:
 - (A) within 45 days of the acquisition or incorporation of a Subsidiary which is a Restricted Subsidiary, whose assets total greater than U.S.\$ 150,000,000 on an unconsolidated basis on the date of such acquisition or incorporation; and
 - (B) upon the designation of a Restricted Subsidiary as a Material Restricted Subsidiary on the Schedule to the Officer's Certificate delivered pursuant to Section 9.1(a)(iii) within 45 days of such delivery of the Officer's Certificate making such designation,

cause such Material Restricted Subsidiary to: (I) authorize, execute and deliver a Guarantee to the Administrative Agent substantially in the form of Schedule H with such changes as the Administrative Agent and the Material Restricted Subsidiary may necessarily require on the advice of their respective counsel to reflect local legal requirements; (II) deliver to the Administrative Agent certified copies of its Organic Documents and a resolution authorizing the Guarantee, a certificate of its officers signing the Guarantee and a certificate of status, good standing or like certificate with respect to it issued by appropriate government officials of its jurisdiction of incorporation; (III) cause to be delivered an opinion of counsel to such Material Restricted Subsidiary in form and substance

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satisfactory to the Lenders' Counsel and the Administrative Agent, each acting reasonably; and (IV) comply with Section 8.4(b) in the case of any Chinese Material Restricted Subsidiary.

- (ii) In the event that any Material Restricted Subsidiary is not a wholly-owned Subsidiary of Celestica, on the later of (i) the date of execution of a Guarantee or (ii) the date of acquisition by any Person which is not Celestica or a Subsidiary of Celestica of any Share of such Material Restricted Subsidiary, Celestica shall deliver an acknowledgement addressed by such Person to the Administrative Agent acknowledging the Guarantee executed by such Material Restricted Subsidiary and the enforceability thereof against the Material Restricted Subsidiary to the full extent set out in the Guarantee (subject to the same qualifications as set out in the opinion of legal counsel to such Material Restricted Subsidiary with respect to such Guarantee) notwithstanding the ownership of Shares of the Material Restricted Subsidiary by such Person and any agreement between such Person and Celestica or any Subsidiary of Celestica.
- (iii) The Borrowers and Guarantors shall, and the Borrowers shall cause each of its Subsidiaries to, take all such steps and do such things as may be necessary, in the opinion of the Administrative Agent, to ensure the continuous enforceability of each Guarantee granted by each Borrower and each Material Restricted Subsidiary.
- (n) **Accuracy of Information.** All factual information hereafter furnished by or on behalf of Celestica in writing to the Administrative Agent for the purposes of or in connection with this Agreement shall be true and accurate in every material respect on the date as of which such information is dated or certified and shall not be incomplete by the omission to state any material fact necessary to make such information not misleading.
- (o) **Securitization Transactions.** On the date of any Permitted Securitization Transaction, the aggregate book value of the trade accounts receivable of or owing to Celestica or any Restricted Subsidiary (and/or contractual rights relating thereto) that are subject to any Securitization Transaction will not exceed:
 - (i) 30% of the aggregate book value of the trade accounts receivable of or owing to Celestica and its Restricted Subsidiaries determined on a consolidated basis, before giving effect to prior Securitization Transactions of trade accounts receivable that have not been collected, on or prior to the date on which the relevant Securitization Transaction is completed; or
 - (ii) as long as (A) there are no Advances (other than Letters of Credit) outstanding under this Agreement and no advances (other than letters of credit) under any other credit agreement under which Celestica or any Restricted Subsidiary is a borrower (excluding, for greater certainty, overdraft facilities and Acquired Indebtedness), and (B) the Debt Rating of Celestica is BB- by Standard & Poor's and Ba3 by Moody's or better,

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50% of the aggregate book value of the trade accounts receivable of or owing to Celestica and its Restricted Subsidiaries determined on a consolidated basis, before giving effect to prior Securitization Transactions of trade accounts receivable that have not been collected, on or prior to the date on which the relevant Securitization Transaction is completed.

- (p) **Security Documents.**
 - (i) Each Borrower shall, and each Borrower shall cause each other Grantor to, grant to the Administrative Agent on behalf of itself, the Lenders and the Hedge Lenders:
 - (A) on the Closing Date and within 30 days after the date of a Trigger Event, (unless a Debt Rating Upgrade has ensued and is continuing prior to the granting of such security interest) a first priority (subject to Permitted Encumbrances) perfected security interest in (i) its personal property located in Canada and/or the United States of America (other than (x) Pledged Shares which are directly held by such Grantor (except as provided in (ii) below), and (y) Securitized Assets; provided that the security interest will attach to any amounts owing to such Grantor pursuant to any Permitted Securitization Transaction, other than any deferred purchase price payable pursuant to the DB Receivables Purchase Agreement), and (ii) the Pledged Shares of each Domestic Material Restricted Subsidiary which are directly held by such Grantor;
 - (B) to the extent permitted by applicable law, as soon as reasonably practicable and, in any event, within 60 days after the Closing Date and within 60 days after the date of a Trigger Event (unless a Debt Rating Upgrade has ensued and is continuing prior to the granting of such security interest), a first priority (subject to Permitted Encumbrances) perfected security interest (or its substantive equivalent) in the Pledged Shares in each Non-Domestic Material Restricted Subsidiary which are directly held by such Grantor; provided that, in the case of a US Grantor, the Pledged Shares shall be limited to that number of Pledged Shares representing not more than 65% of the then issued and outstanding Shares of each such Non-Domestic Material Restricted Subsidiary;
 - (C) upon the designation of a Restricted Subsidiary as a Grantor on the Schedule to the Officer's Certificate delivered pursuant to Section 9.1(a)(iii) (unless a Debt Rating Upgrade has occurred and no Trigger Event has ensued following such Debt Rating Upgrade): (i) as soon as reasonably practicable and, in any event, within 30 days after the date on which the Officer's Certificate making such designation is delivered to the Administrative Agent, a first priority (subject to Permitted Encumbrances) perfected security interest in the personal property of such Grantor described in Section

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- (D) with respect to any Pledged Shares acquired by any Grantor after the delivery of the applicable Security Documents by such Grantor (unless a Debt Rating Upgrade has occurred and no Trigger Event has ensued following such Debt Rating Upgrade): (i) as soon as reasonably practicable and, in any event, within 30 days after such Grantor becomes the direct holder of any Pledged Shares in any Domestic Material Restricted Subsidiary, a first priority (subject to Permitted Encumbrances) perfected security interest in such Pledged Shares; and (ii) as soon as reasonably practicable and, in any event, within 60 days after such Grantor becomes the direct holder of any Pledged Shares in any Non-Domestic Material Restricted Subsidiary, a first priority (subject to Permitted Encumbrances) perfected security interest (or its substantive equivalent) in such Pledged Shares; provided that, in the case of a US Grantor, the Pledged Shares shall be limited to that number of Pledged Shares representing not more than 65% of the then issued and outstanding Shares of each such Non-Domestic Material Restricted Subsidiary.

- (ii) (A) The applicable Security Documents shall be delivered to the Administrative Agent, on behalf of itself, the Lenders and the Hedge Lenders, and all filings and registrations in all applicable jurisdictions shall be completed in accordance with foregoing clause (i). In addition, on or prior to the Closing Date and within 30 days after the date of a Trigger Event (unless a Debt Rating Upgrade has ensued and is continuing prior to delivery of such guarantee), each Grantor that has not already provided a Guarantee as a Material Restricted Subsidiary shall deliver a guarantee, substantially in the form of Schedule H, if such guarantee is required to render the Security granted by such Grantor valid and enforceable. In the event that any such Grantor is not a Material Restricted Subsidiary, the recourse of the Administrative Agent pursuant to the guarantee granted by such Grantor shall be limited to enforcement of the Security, and the Administrative Agent shall have no right to sue such Grantor on the covenant of such guarantee, except to the extent necessary in connection with the enforcement of the Security. The Security Documents shall be accompanied by opinions of counsel to the applicable Grantor, in form and substance satisfactory to Lenders' Counsel and the Administrative Agent, acting reasonably.

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- (B) Each Borrower shall, and each Borrower shall cause each other Grantor to, promptly, and from time to time on demand, execute and deliver or cause to be executed and delivered all such other and further documents, agreements, certificates and instruments which in the opinion of the Administrative Agent or Lenders' Counsel, acting reasonably, may be necessary or reasonably desirable in connection with the grant of the Security.
- (iii) Any Security granted by a Grantor in favour of the Administrative Agent on behalf of itself and the Lenders in any asset, property or investment that is disposed of by such Grantor in accordance with the terms of this Agreement shall be released by the Administrative Agent, at the expense of Celestica, following the receipt by the Administrative Agent of a written request for same by Celestica.
- (iv) Assets which become Securitized Assets following attachment of the Liens under a Permitted Securitization Transaction shall be automatically released from the Security such that all such assets shall be securitized under such Permitted Securitization Transaction free and clear of the Security.
- (v) The Security shall be released without the requirement for further consent within 30 days after the date of a Debt Rating Upgrade, provided that a Debt Rating Downgrade has not occurred after such Debt Rating Upgrade and prior to such release.
- (vi) In the event that a Grantor ceases to be a Grantor as a result of the diminution of the value of its assets such that the aggregate value thereof does not meet the applicable threshold set out in the definition of Material Assets under this Agreement, Celestica may request and the Administrative Agent shall, in its reasonable discretion, release any Security granted by such Grantor.
- (q) Upon written request from the Administrative Agent delivered to Celestica, Celestica shall use all commercially reasonable efforts to obtain and deliver to the Administrative Agent estoppel certificates or acknowledgements in respect of Lien registrations effected by the secured parties identified by the Administrative Agent in such request.

9.2 Negative Covenants

Celestica covenants and agrees with each of the Lenders that, unless the Majority Lenders otherwise consent in writing, so long as any amount payable hereunder is outstanding or the Lenders shall have any Commitment hereunder:

- (a) **No Merger, Amalgamation, etc.** None of the Borrowers or any Restricted Subsidiary shall, directly or indirectly, merge, amalgamate or enter into any similar or other business combination pursuant to statutory authority or otherwise with any other Person except upon compliance with Section 13.12.

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- (b) **Restriction on Disposition of Assets.** None of the Borrowers or any Restricted Subsidiary shall sell, assign, transfer, lease, convey or otherwise dispose of any property, assets or investments, (in each case a "sale") other than:
- (i) sales made in compliance with Section 13.12; or
- (ii) sales of obsolete equipment in the ordinary course of business; or
- (iii) sales, assignments and transfers pursuant to a Permitted Securitization Transaction; or
- (iv) sale/leaseback transactions of:
- (A) any real property owned by a Borrower or Restricted Subsidiary; and
- (B) any property or assets acquired by a Borrower or Restricted Subsidiary, as the case may be, which is completed within six months of the date on which such property or assets were acquired, provided that any Borrowing made to finance such acquisition shall be repaid within two Banking Days of the completion of such sale/leaseback transaction; or
- (v) sales of Shares of any Unrestricted Subsidiary; or
- (vi) sales of assets and property, including inventory, in the ordinary course of business; or
- (vii) sales of any fixed assets together with associated intellectual property not otherwise permitted in clauses (i) to (vi) above, subject to an aggregate limit of sales under this clause and sales under Sections 9.2(b)(ix)(C) and 9.2(b)(ix)(D) by the Borrowers and Restricted Subsidiaries in any fiscal year in an amount equal to 10% of the aggregate net book value of the fixed assets plus 10% of the aggregate net book value of intellectual property of Celestica on a consolidated basis (the "**disposition allowance**") and provided that, in any fiscal year commencing with fiscal year ending on December 31, 2006 in which the Borrowers and Restricted Subsidiaries do not sell fixed assets and associated intellectual property under this clause (vii) and Shares and assets under Sections 9.2(b)(ix)(C) and 9.2(b)(ix)(D) having aggregate net book values totalling the disposition allowance, the Borrowers and Restricted Subsidiaries may carry forward into the following fiscal years the unused disposition allowance, which unused disposition allowance is deemed to be U.S.\$ 66,900,000 for the fiscal year ending December 31, 2006, and further provided that none of the Borrowers or Restricted Subsidiaries shall sell any intellectual property under this clause (vii) unless such sale is incidental to a sale of fixed assets;

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- (viii) sales of assets, property or investments from a Borrower or Restricted Subsidiary to another Borrower or Restricted Subsidiary provided that no Borrower or Restricted Subsidiary shall so sell assets, property or investments during the occurrence and continuance of a Default or where such sale, alone or as part of a series of previously or concurrently occurring sales, would reasonably be likely to have a Material Adverse Effect; or
- (ix) (A) the sale of the Shares of a Material Restricted Subsidiary or the sale of all or substantially all of the undertaking, property and assets of a Material Restricted Subsidiary used in conducting a business, with the consent of the Super Majority Lenders; (B) the sale of the Shares of a Domestic Restricted Subsidiary (other than a Material Restricted Subsidiary) with Material Assets or the sale of all or substantially all of the undertaking, property and assets of such a Domestic Restricted Subsidiary used in conducting a business, with the consent of the Majority Lenders; (C) subject to compliance with the disposition allowance provisions set out in Section 9.2(b)(vii), the sale of the Shares in the capital of a Domestic Restricted Subsidiary (other than a Material Restricted Subsidiary) that does not have Material Assets or the sale of all or substantially all of the undertaking, property and assets of such a Restricted Subsidiary used in conducting a business; and (D) subject to compliance with the disposition allowance provisions set out in Section 9.2(b)(vii), the sale of the Shares of a Restricted Subsidiary (other than a Material Restricted Subsidiary or a Domestic Restricted Subsidiary) or the sale of all or substantially all of the undertaking, property and assets of such a Restricted Subsidiary.
- (c) **Restriction on Certain Inter-Company Transactions.** Except as otherwise permitted by this Section 9.2, none of the Borrowers or any Restricted Subsidiary shall enter into any agreement or complete any transaction with any other Borrower or any Restricted Subsidiary during the occurrence and continuance of a Default or where such agreement or transaction, alone or as part of a series of previously or concurrently occurring agreements or transactions, would reasonably be likely to have a Material Adverse Effect.
- (d) **Negative Pledge/Pari Passu Ranking.** None of the Borrowers or any of the Restricted Subsidiaries shall create, incur, assume or permit to exist any Lien, other than Permitted Encumbrances, on any of its property, undertaking or assets now owned or hereafter acquired. Each Obligor's monetary Obligations shall rank at least *pari passu* with all unsecured Indebtedness (or other unsecured Indebtedness during such time as the Obligations are unsecured) of such Obligor and no Obligor shall, or shall agree with any other Person to, pay any other Indebtedness in priority to payment of all monetary Obligations as and when due.
- (e) **Restriction on Non-Arm's Length Transactions.** The Borrowers shall not, and shall not permit any Restricted Subsidiary to, enter into any transaction or agreement with any Person which is not at Arm's Length with the Borrowers or such Restricted Subsidiary (other than other Borrowers, Restricted Subsidiaries or Unrestricted Subsidiaries) unless,

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- (i) such transaction or agreement is in the ordinary course of business and is on terms no less favourable to the Borrowers or such Restricted Subsidiary as would be obtainable in a comparable transaction with a Person which is at Arm's Length with the Borrower or such Restricted Subsidiary, and
- (ii) such transaction or agreement complies with the terms of Section 9.2(c).
- (f) **Restriction on Change of Business.** None of the Borrowers or the Restricted Subsidiaries shall, either directly or indirectly, enter into any business other than the Business without the prior written consent of the Majority Lenders.
- (g) **No Change in Accounting Treatment or Reporting Practices.** Subject to the provisions of Section 1.7, none of the Borrowers nor any Restricted Subsidiary shall make any material change in its accounting or reporting or financial reporting practices, except as consistent with GAAP or Applicable Law, which changes shall be disclosed to the Lenders.
- (h) **Restrictions on Transactions with Unrestricted Subsidiaries.** No Borrower shall, or shall permit any Restricted Subsidiary to:
 - (i) sell assets or lend monies to any Unrestricted Subsidiary unless such sale (A) meets the criteria set out in the second sentence of the definition of Permitted Securitization Transaction in Section 1.1; (B) is permitted pursuant to Section 9.2(b)(vi) and such sale or loan is in the ordinary course of business and is on terms no less favourable to such Borrower or such Restricted Subsidiary as would be obtainable in a comparable transaction with a Person which is at Arm's Length with the Borrower or such Restricted Subsidiary; (C) is permitted pursuant to Section 9.2(b)(vii); or (D) is permitted pursuant to Section 9.2(b)(ix); or
 - (ii) provide financial assistance by means of a guarantee to an Unrestricted Subsidiary unless the financial assistance is in the form of a guarantee granted by the immediate parent of such Unrestricted Subsidiary, where such guarantee is (A) made solely for the purpose of facilitating a pledge by the guarantor of Shares of such Unrestricted Subsidiary; and (B) the recourse thereunder is limited to the Shares of the Unrestricted Subsidiary; and (C) a pledge of the Shares of the Unrestricted Subsidiary.

9.3 Financial Covenants

- (a) **Minimum EBITDA:Interest Expense Ratio.** Celestica shall maintain an EBITDA:Interest Expense ratio, calculated on a rolling four quarter basis, of at least 3.25:1.0.
- (b) **Maximum Gross Funded Debt:EBITDA Ratio.** Celestica shall maintain a Gross Funded Debt:EBITDA ratio, calculated on a rolling four quarter basis, of not more than (i) 4.25:1.0 during the fiscal year ending December 31, 2007; and (ii) 4.0:1.0 thereafter.

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- (c) **Calculation of Financial Ratios.** For the purposes of Sections 9.3(a) and (b), all of the calculations shall be made on a consolidated basis in accordance with the provisions of Sections 1.7 and 1.8.

ARTICLE 10 DEFAULT AND ACCELERATION

10.1 Events of Default

The occurrence of any one or more of the following events (each such event and the expiry of the cure period, if any, provided in connection therewith, being herein referred to as an "Event of Default") shall constitute a default under this Agreement:

- (a) if any Borrower shall default in (i) the payment when due of any principal of any Advance; (ii) the payment when due of any interest on any Advance (and such default shall continue unremedied, in the case of interest, for a period of three (3) days); or (iii) the payment when due of any fee or any other Obligation (and any of such defaults described in item (iii) shall continue unremedied for a period of five (5) days);
- (b) any representation or warranty made or deemed to be made hereunder or in any other Loan Document or any other writing or certificate furnished by or on behalf of an Obligor to the Administrative Agent for the purposes of or in connection with this Agreement or any such other Loan Document is or shall be incorrect when made in any material respect;
- (c) any Obligor shall default in the observance or performance of any agreement, covenant or condition contained in Sections 9.1(p)(i) or 9.1(p)(ii);
- (d) any Obligor shall default in the service or performance of any agreement, covenant or condition contained herein or in any other Loan Document (other than as set forth above) and such failure shall remain unremedied for a period of thirty (30) days after notice in writing has been given by the Administrative Agent to Celestica;
- (e) if, on, prior to or in connection with any Indebtedness having a principal amount, individually or in the aggregate, in excess of U.S. \$50,000,000 becoming Acquired Indebtedness, (i) a default shall have occurred in the payment when due, whether by acceleration or otherwise, of any such Acquired Indebtedness, or (ii) a default shall occur or shall have occurred in the performance or observance of any obligation or condition with respect to such Indebtedness or as a result of such Indebtedness becoming Acquired Indebtedness, if the effect of such default is to accelerate the maturity of such Acquired Indebtedness or such default shall continue unremedied and unwaived for any applicable grace period of time sufficient to permit the holder or holders of such Acquired Indebtedness, or any trustee or agent for such holders, to have the right to cause such Acquired Indebtedness to become due and payable prior to its expressed maturity; provided that where such Acquired Indebtedness has a principal amount individually or in the aggregate, of up to and including U.S. \$100,000,000, a default described in

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clauses (i) or (ii) shall only be an Event of Default under this Agreement if unremedied for 60 days from the date such Indebtedness becomes Acquired Indebtedness;

- (f) a default shall occur in the payment when due, whether by acceleration or otherwise, of any Indebtedness (other than as set forth in Sections 10.1(a) and (e) above) of any Borrower or any Restricted Subsidiary having a principal amount, individually or in the aggregate, in excess of U.S. \$ 50,000,000, or a default shall occur in the performance or observance of any obligation or condition with respect to any such Indebtedness if the effect of such default is to accelerate the maturity of any such Indebtedness or such default shall continue unremedied and unwaived for any applicable grace period of time sufficient to permit the holder or holders of such Indebtedness, or any trustee or agent for such holders, to have the right to cause such Indebtedness to become due and payable prior to its expressed maturity;
- (g) any judgment or order for the payment of money in excess of U.S.\$ 25,000,000, which is not covered by insurance, shall be rendered against any Borrower or any Restricted Subsidiary and either:
 - (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order; or
 - (ii) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect and such judgment shall not have been paid or otherwise satisfied;
- (h) any Borrower or any Restricted Subsidiary shall:
 - (i) become (or be deemed by any Applicable Law to be) insolvent or generally fail to pay, or admit in writing its inability or unwillingness to pay its debts as they generally become due;
 - (ii) apply for, consent to, or acquiesce in, the appointment of a trustee, receiver, receiver and manager, liquidator, sequestrator, administrator or other custodian in connection with the insolvency of a Borrower or a Restricted Subsidiary or any property of any thereof except as permitted under Section 13.12, or make a general assignment for the benefit of creditors;
 - (iii) in the absence of an application referred to in Section 10.1(h)(ii), consent or acquiescence, permit or suffer to exist the appointment of a trustee, receiver, receiver and manager, liquidator, sequestrator, administrator or other custodian for a Borrower or a Restricted Subsidiary or for a substantial part of the property of any of them except as permitted under Section 13.12, and such trustee, receiver, receiver and manager, liquidator, sequestrator, administrator or other custodian shall not be discharged within 60 days, provided that the Borrowers hereby expressly authorize

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the Administrative Agent and each Lender to appear in any court conducting any relevant proceeding relating to any of them or any Restricted Subsidiary during such 60-day period to preserve, protect and defend their rights under the Loan Documents;

- (iv) permit or suffer to exist the commencement of any bankruptcy, reorganization, debt arrangement, administration or other case or proceeding under any bankruptcy, insolvency or similar law, or any dissolution, winding up, administration or liquidation proceeding, in respect of any Borrower or any Restricted Subsidiary (except as permitted under Section 13.12), and, if any such case or proceeding is not commenced by such Borrower or such Restricted Subsidiary, such case or proceeding shall be consented to or acquiesced in by such Borrower or such Restricted Subsidiary or shall result in the entry of an order for relief or shall remain for 60 days undismissed, provided that each Borrower and each Restricted Subsidiary is hereby deemed to expressly authorize the Administrative Agent and each Lender to appear in any court conducting any such case or proceeding relating to any of them or any Restricted Subsidiary during such 60-day period to preserve, protect and defend their rights under the Loan Documents; or
- (v) take any corporate action authorizing, or in furtherance of, any of the matters referred to in clauses (ii), (iii) or (iv) above;
- (i) Onex Corporation shall cease to control Celestica unless the Shares of Celestica become widely held such that no one Person or group of Persons acting jointly or in concert (within the meaning of Part XX of the *Securities Act* (Ontario)) controls Celestica, provided that any Person or group of Persons acting jointly or in concert which owns or controls securities of Celestica to which are attached more than 20% of the votes that may be cast to elect the directors of Celestica shall, in the absence of evidence satisfactory to the Administrative Agent, acting reasonably, be deemed to control Celestica;

- (j) any Loan Document shall (except in accordance with its terms), in whole or in part, terminate, cease to be effective or cease to be the legally valid, binding and enforceable obligation of any Obligor that is a party thereto; or any Obligor shall, directly or indirectly, contest in any manner such effectiveness, validity, binding nature or enforceability of any Loan Document; or any Security shall, in whole or in part, cease to be a perfected, first priority (subject to Permitted Encumbrances) Lien and such failure shall remain unremedied for a period of 10 days after the Borrower becomes aware that such Security has ceased to be a perfected, first priority (subject to Permitted Encumbrances) Lien;
- (k) any Borrower or any governmental authority declares, orders or proposes to order a full or partial wind up of any Pension Plan which, in either case, would reasonably be likely to have a Material Adverse Effect or if any of the following events shall occur with respect to a Pension Plan:

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- (i) the institution of any step by a Borrower, any member of its Controlled Group or any other Person to terminate a Pension Plan if, as a result of such termination, the Borrowers or any such member of its Controlled Group would reasonably be likely to be required to make a contribution to such Pension Plan or could reasonably expect to incur a liability or obligation to such Pension Plan which, in either case, would reasonably be likely to have a Material Adverse Effect; or
- (ii) a contribution failure occurs with respect to any Pension Plan sufficient to give rise to a Lien under Section 302(f) of ERISA.

10.2 Acceleration

Upon the occurrence of an Event of Default (other than as set forth in Section 10.1(h) or (i)) and at any time thereafter while an Event of Default is continuing, the Administrative Agent may, in consultation with the Lenders (and, if so instructed by the Majority Lenders, shall) by written notice to the Borrowers:

- (a) declare the Advances made to the Borrowers to be immediately due and payable (whereupon the same shall become so payable together with accrued interest thereon and any other sums then owed by the Borrowers hereunder or under any other Loan Document) or declare such Advances to be due and payable on demand of the Administrative Agent; and/or
- (b) if not theretofore terminated, declare that all of the Commitments shall be cancelled, whereupon the same shall be cancelled and the Commitment of each Lender shall be reduced to zero.

If, pursuant to this Section 10.2, the Administrative Agent declares any Advances made to the Borrowers to be due and payable on demand, then, and at any time thereafter, the Administrative Agent may (and, if so instructed by the Majority Lenders, shall) by written notice to the Borrowers call for repayment of such Advances on such date or dates as it may specify in such notice (whereupon the same shall become due and payable on such date together with accrued interest thereon and any other sums then owed by the Borrowers hereunder or under any other Loan Document and the provisions of Section 10.4 shall apply) or withdraw its declaration with effect from such date as it may specify in such notice.

Upon the occurrence of an Event of Default set forth in Section 10.1(h) or (i), the Commitments shall automatically terminate and the outstanding principal amount of all outstanding Advances (together with accrued interest thereon and any other sums then owed by the Borrowers hereunder or under any other Loan Document and the provisions of Section 10.4 shall apply) shall automatically be and become immediately due and payable, without notice or demand.

10.3 Remedies with Respect to Bankers' Acceptance Advances and Letters of Credit

If any Event of Default shall occur and be continuing such that the entire principal amount of the Advances then outstanding and all accrued and unpaid interest thereon and all other payments due hereunder or under any other Loan Document which are unpaid shall become immediately due and payable in accordance with the provisions of Section 10.2, then the Administrative

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Agent may (and, if so instructed by the Majority Lenders shall), by written notice to the Borrowers, require the Borrowers to pay to the Administrative Agent (i) on behalf of the Lenders, an amount equal to the Face Amount of outstanding Bankers' Acceptances and the principal amount of all outstanding Acceptance Notes and (ii) on behalf of the Issuing Bank, an amount equal to the undrawn Face Amount of any Letters of Credit issued and outstanding under the Letter of Credit Facility.

10.4 Remedies Cumulative and Waivers

It is expressly understood and agreed that the rights and remedies of the Lenders, the Administrative Agent and each of them hereunder or under any other Loan Document or other instrument executed pursuant to this Agreement are cumulative and are in addition to and not in substitution for any rights or remedies provided by law or by equity; and any single or partial exercise by the Lenders, the Administrative Agent or any of them of any right or remedy for a default or breach of any term, covenant, condition or agreement contained in this Agreement or any other Loan Document shall not be deemed to be a waiver of or to alter, affect or prejudice any other right or remedy or other rights or remedies to which the Lenders, the Administrative Agent or any of them may be lawfully entitled for such default or breach. Any waiver by the Lenders, the Administrative Agent or any of them of the strict observance, performance or compliance with any term, covenant, condition or other matter contained herein or in any other Loan Document and any indulgence granted, either expressly or by course of conduct, by the Lenders, the Administrative Agent or any of them shall be effective only in the specific instance and for the purpose for which it was given and shall be deemed not to be a waiver of any rights and remedies of the Lenders, the Administrative Agent or any of them under this Agreement or any other Loan Document as a result of any other default or breach hereunder or thereunder.

10.5 Suspension of Lenders' Obligations

Without prejudice to the rights which arise out of this Agreement or by law, the occurrence of an Event of Default shall, while such Event of Default shall be continuing, relieve the Lenders of all obligations to make any Advances hereunder (whether or not any Drawdown Notice in respect of any such Advance shall have been received by the Administrative Agent prior to the occurrence of an Event of Default) or to accept or comply with any Drawdown Notice, Conversion Notice or Rollover Notice or accept or purchase drafts or Bankers' Acceptances or Acceptance Notes in replacement of maturing Bankers' Acceptances or Acceptance Notes. Without prejudice to the rights which arise out of this Agreement or by law, the occurrence of an Event of Default shall, while such Event of Default is continuing, relieve the Issuing Lender of all obligations to issue Letters of Credit hereunder (whether or not any Issuance Request in respect of any such Letter of Credit shall have been received by the Administrative Agent and the Issuing Bank prior to the occurrence of an Event of Default) or to comply with any Issuance Request.

10.6 Application of Payments After an Event of Default

If any Event of Default shall occur and be continuing, all payments made by the Borrowers hereunder, payments made pursuant to any of the provisions of any of the Guarantees or the other Security Documents or from the proceeds of realization of the Security shall be applied in the following order:

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- (a) to amounts due hereunder or under any other Loan Document as costs and expenses of the Administrative Agent;
- (b) to amounts due hereunder or under any other Loan Document as costs and expenses of the Lenders;
- (c) to amounts due hereunder or under any other Loan Document as fees;
- (d) to any other amounts (other than amounts in respect of interest or principal due hereunder or under any other Loan Document);
- (e) to amounts due hereunder or under any other Loan Document as interest or pursuant to any Eligible Hedging Agreement (other than in connection with an early termination of any Eligible Hedging Agreement); and
- (f) to amounts due hereunder or under any other Loan Document as principal or payable in connection with an early termination of any Eligible Hedging Agreement.

**ARTICLE 11
THE ADMINISTRATIVE AGENT AND
ADMINISTRATION OF THE FACILITY**

11.1 Authorization of Action

Each Lender hereby irrevocably appoints and authorizes the Administrative Agent to be its agent in its name and on its behalf and to exercise such rights or powers granted to the Administrative Agent under this Agreement and the Loan Documents to the extent specifically provided herein and therein and on the terms hereof and thereof, together with such rights, powers and discretions as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement or the Loan Documents, the Administrative Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected as against the Lenders in so acting or refraining from acting) upon the instructions of the Majority Lenders or the Super Majority Lenders, as applicable, and such instructions shall be binding upon all Lenders; provided, however, that the Administrative Agent shall not be required to take any action which exposes the Administrative Agent to liability in such capacity, which could result in the Administrative Agent incurring any costs and expenses or which is contrary to this Agreement or Applicable Law.

11.2 Procedure for Making Advances

- (a) The Administrative Agent shall make Advances available to the relevant Borrowers as required hereunder by debiting the account of the Administrative Agent to which the Lenders' Main Facility Rateable Portions of such Advances have been credited in accordance with Section 11.2(b) (or causing such account to be debited) and, in the absence of other arrangements agreed to by the Administrative Agent and Celestica in writing, by transferring (or causing to be transferred) like funds in accordance with the instructions of the Borrower as set forth in the Drawdown Notice in respect of each Advance; provided that the

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obligation of the Administrative Agent hereunder shall be limited to taking such steps as are commercially reasonable to implement such instructions, which steps once taken shall constitute conclusive and binding evidence that such funds were advanced hereunder in accordance with the provisions relating thereto and the Administrative Agent shall not be liable for any damages, claims or costs which may be suffered by the Borrower and occasioned by the failure of such Advance to reach the designated destination, except to the extent such damages, claims or costs are the result of the gross negligence or wilful misconduct (as determined by a final, non-appealable decision of a court of competent jurisdiction) of the Administrative Agent.

- (b) Unless the Administrative Agent has been notified by a Lender on the Banking Day prior to the Drawdown Date requested by a Borrower that such Lender will not make available to the Administrative Agent its Main Facility Rateable Portion of such Advance, the Administrative Agent may assume that such Lender has made such portion of the Advance available to the Administrative Agent on the Drawdown Date in accordance with the provisions hereof and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent such Lender shall not have so made its Main Facility Rateable Portion of the Advance available to the Administrative Agent, then such Lender shall pay to the Administrative Agent forthwith on demand such Lender's Main Facility Rateable Portion of the Advance and all reasonable costs and expenses incurred by the Administrative Agent in connection therewith together with interest thereon (at the rate payable thereunder by the Borrower in respect of such Advance) for each day from the date such amount is made available to the Borrower until the date such amount is paid to the Agent; provided, however, that notwithstanding such obligation, if such Lender fails to so pay, the Borrower covenants and agrees that without prejudice to any rights such Borrower may have against such Lender, it shall reimburse such amount to the Administrative Agent forthwith after demand therefor by the Administrative Agent. The amount payable to the Administrative Agent pursuant hereto shall be as set forth in a certificate delivered by the Administrative Agent to such Lender and such Borrower (which certificate shall contain reasonable details of how the amount payable is calculated) and shall be conclusive and binding, for all purposes, in the absence of manifest error. If such Lender makes the payment to the Administrative Agent required herein, such Lender shall be considered to have made its Main Facility Rateable Portion of the Advance for purposes of this Agreement and the Administrative Agent shall make appropriate entries in the books of account maintained by the Administrative Agent.
- (c) The failure of any Lender to make its Main Facility Rateable Portion of any Advance shall not relieve any other Lender of its obligation, if any, hereunder to make its Main Facility Rateable Portion of such Advance on the Drawdown Date, but no Lender shall be responsible for the failure of any other Lender to make the Main Facility Rateable Portion of the Advance to be made by such other Lender on the date of any Advance.

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- (d) Where a Drawdown under the Facility and a repayment of an Advance under the Facility are to occur on the same day, the Administrative Agent shall not make available to the relevant Borrower the amount of the Advance to be drawn down until the Administrative Agent is satisfied that it has received irrevocable and irreversible payment of the amount to be prepaid or repaid. Notwithstanding the foregoing, in the absence of gross negligence or wilful misconduct (as determined by a final, non-appealable decision of a court of competent jurisdiction) on the part of the Administrative Agent, the risk of non-receipt of the amount to be repaid is that of the Lenders and not of the Administrative Agent.
 - (e) This Section 11.2 shall not apply to Swing Line Advances.

11.3 Remittance of Payments

Forthwith after receipt of any repayment of principal or payment of interest or fees pursuant to any provision of this Agreement, the Administrative Agent which has received such repayment or payment shall remit to each Lender its Main Facility Rateable Portion thereof; provided, however, that the Administrative Agent shall be entitled to set off against and deduct from any amount payable to a Lender any outstanding amounts payable by such Lender to the Administrative Agent pursuant to Section 11.2(b). Forthwith after receipt of any payment of Facility Fees pursuant to Section 2.14, the Administrative Agent shall remit to each Lender its Main Facility Rateable Portion of such payment. If the Administrative Agent, on the assumption that it will receive on any particular date a payment of principal, interest or fees hereunder, remits such payment to the Lenders and the Borrowers fail to make such payment, each of the Lenders agrees to repay to the Administrative Agent forthwith on demand the amount received by it together with all reasonable costs and expenses incurred by the Administrative Agent in connection therewith to the extent not reimbursed by the Borrower and interest thereon at the rate and calculated in the manner applicable to the Advance in respect of which such payment was made for each day from the date such amount is remitted to the Lenders, the exact amount of the repayment required to be made by the Lenders pursuant hereto to be as set forth in a certificate delivered by the Administrative Agent to each Lender, which certificate shall be conclusive and binding for all purposes in the absence of manifest error. The Administrative Agent shall make appropriate entries in the register maintained by it to reflect the foregoing.

11.4 Redistribution of Payment

- (a) If any Lender receives or recovers (whether by payment or combination of accounts or otherwise) an amount owed to it by a Borrower under this Agreement otherwise than through the Administrative Agent, then such Lender shall, within two Banking Days following such receipt or recovery, notify the Administrative Agent (who shall in turn notify the other Lenders) of such fact.
- (b) Subject to the other terms and conditions of this Agreement, if at any time the proportion which any Lender (a **"Recovering Lender"**) has received or recovered (whether by payment or combination of accounts or otherwise) in respect of its portion of any payment to be made under this Agreement by a Borrower for the account of such Recovering Lender and one or more other Lenders is greater (the amount of the excess being in this Section 11.4 called the **"excess amount"**) than

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the proportion thereof received or recovered by the Lender or Lenders receiving or recovering the smallest proportion thereof, then:

- (i) the Recovering Lender shall, within two Banking Days following such receipt or recovery, pay to the Administrative Agent an amount equal to the excess amount; and
- (ii) the Agent shall treat the amount received by it from the Recovering Lender pursuant to paragraph (i) above as if such amount had been received by it from such Borrower pursuant to its obligations under this Agreement and shall pay the same to the Persons entitled thereto (including such Recovering Lender) *pro rata* to their respective entitlements thereto in which event, for all purposes in connection herewith, the Recovering Lender shall be deemed only to have received or recovered from such Borrower that portion of the excess amount which is actually paid to the Recovering Lender by the Administrative Agent pursuant to this Section 11.4(b)(ii).
- (c) If a Lender that has paid an excess amount to the Administrative Agent in accordance with Section 11.4(b)(i) is required to refund the whole (or a portion) of such excess amount to the Borrower, then each of the other Lenders shall pay to the Administrative Agent for the account of that Lender the whole (or that proportion) of the amount received by it as a result of the distribution in respect of that excess amount made by the Administrative Agent pursuant to Section 11.4(b)(ii).

11.5 Duties and Obligations

- (a) None of the Agents nor any of their respective directors, officers, agents or employees (and, for purposes hereof, each of the Agents shall be deemed to be contracting for and on behalf of such Persons) shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement except for its or their own gross negligence or wilful misconduct, as determined by a final, non-appealable decision of a court of competent jurisdiction. Without limiting the generality of the foregoing, each Agent:
 - (i) may assume that there has been no assignment or transfer by any means by any Lender of its rights hereunder, unless and until the Administrative Agent has received a duly completed and executed assignment in form satisfactory to it;
 - (ii) may consult with legal counsel (including the Lenders' Counsel), independent public accountants and other experts of reputable standing selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts;
 - (iii) shall incur no liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing

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believed by it to be genuine and signed or sent by the proper party or parties or by acting upon any representation or warranty of the Borrowers or any Guarantor made or deemed to be made hereunder;

- (iv) may assume that no Event of Default has occurred and is continuing unless an appropriate officer charged with the administration of this Agreement has actual notice or knowledge to the contrary;
- (v) may rely as to any matters of fact which might reasonably be expected to be within the knowledge of any Person upon a certificate signed by or on behalf of such Person; and
- (vi) shall incur no liability for its failure to distribute to any Lender the financial statements or other information provided to the Administrative Agent by the Borrowers or any Guarantor.

Further, each Agent (a) shall not have any duty to ascertain or to enquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement on the part of any of the Borrowers or any Guarantor or to inspect the property (including the books and records) of any of the Borrowers or any Guarantor and (b) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any instrument or document furnished pursuant hereto.

- (b) No Agent makes any warranty or representation to any Lender nor shall any Agent be responsible to any Lender for the accuracy or completeness of the data made available to any of the Lenders in connection with the negotiation of this Agreement, or for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement.

- (c) Except as otherwise provided for herein, an Agent may, but is not obligated to, seek the approval of the Majority Lenders to any consents required to be given by an Agent hereunder.

11.6 Prompt Notice to the Lenders

Subject to the provisions of Section 11.5(a)(vi), the Administrative Agent agrees to provide to the Lenders, copies where appropriate, of all information, notices and reports required to be given to the Administrative Agent by the Borrowers and the Guarantors hereunder or pursuant to any other Loan Document, promptly upon receipt of same, excepting therefrom information and notices relating solely to the role of the Administrative Agent hereunder.

11.7 Agent's Authority

With respect to its Commitment and the Advances made by it as a Lender, an Agent shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not an Agent. An Agent may accept deposits from, lend money to, and generally engage in any kind of business with the Borrowers and the Subsidiaries or any corporation or other entity owned or controlled by any of them and any Person which may do

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business with any of them, all as if the Agent was not an Agent hereunder and without any duties to account therefor to the Lenders.

11.8 Lender's Independent Credit Decision

It is understood and agreed by each Lender that it has itself been, and will continue to be, solely responsible for making its own independent appraisal of and investigations into the financial condition, creditworthiness, condition, affairs, status and nature of the Borrowers and its Subsidiaries. Accordingly, each Lender confirms with the Agents that it has not relied, and will not hereafter rely, on the Agents (i) to check or enquire on its behalf into the adequacy, accuracy or completeness of any information provided by the Borrowers or any other Person under or in connection with this Agreement, the other Loan Documents or the transactions herein or therein contemplated (whether or not such information has been or is hereafter distributed to such Lender by an Agent), or (ii) to assess or keep under review on its behalf the financial condition, creditworthiness, condition, affairs, status or nature of the Borrowers or any Subsidiary. Each Lender acknowledges that a copy of this Agreement has been made available to it for review and each Lender acknowledges that it is satisfied with the form and substance of this Agreement.

11.9 Indemnification

Each Lender hereby agrees to indemnify the Agents (to the extent not reimbursed by the Borrowers) in its Global Rateable Portion, from and against any and all liabilities, obligations, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against an Agent (in its capacity as agent for the Lenders) in any way relating to or arising out of this Agreement or any other Loan Documents or any action taken or admitted by an Agent under or in respect of this Agreement or any other Loan Documents; provided that no Lender shall be liable for any portion of such liabilities, obligations, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such Agent's gross negligence or wilful misconduct, as determined by a final, non-appealable decision of a court of competent jurisdiction. Without limiting the generality of the foregoing, each Lender agrees to reimburse such Agent promptly upon demand in the proportion specified herein in respect of any out-of-pocket expenses (including counsel fees) incurred by such Agent in connection with the preservation of any rights of the Agents or the Lenders under, or the enforcement of, or legal advice in respect of the rights or responsibilities under, this Agreement or any other Loan Documents, to the extent that the Agent is not reimbursed for such expenses by the Borrowers.

11.10 Successor Agent

The Administrative Agent may, as hereinafter provided, resign at any time by giving not less than 30 days' written notice thereof to the Lenders and the Borrowers. The Administrative Agent may, as hereinafter provided, be removed at any time on not less than 30 days' written notice thereof by the Majority Lenders provided that the Majority Lenders have designated a successor who is prepared to act hereunder and which is acceptable to Celestica, acting reasonably. Upon any such resignation or removal, the Majority Lenders shall have the right to appoint a successor agent (the "Successor Agent") which shall be a Lender and which shall be acceptable to the Borrowers, acting reasonably. Upon the acceptance of any appointment hereunder by a Successor Agent, such Successor Agent shall thereupon become Administrative Agent hereunder and shall succeed to and become vested with all the rights, powers, privileges

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and duties of CIBC and CIBC shall thereupon be discharged from its further duties and obligations as Administrative Agent under this Agreement. After any resignation or removal of CIBC under this Section 11.10, the provisions of this Article 11 shall continue to enure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent hereunder.

11.11 Taking and Enforcement of Remedies

- (a) Each of the Lenders hereby acknowledges that, to the extent permitted by Applicable Law, the remedies provided hereunder or under the Security Documents to the Lenders are for the benefit of the Lenders collectively and acting together and not severally and further acknowledges that its rights hereunder and thereunder are to be exercised not severally, but collectively by the Administrative Agent upon the decision of the Lenders, the Majority Lenders or the Super Majority Lenders, as applicable, regardless of whether declaration or acceleration was made pursuant to Section 10.2; accordingly, notwithstanding any of the provisions contained herein and therein, each of the Lenders hereby covenants and agrees that it shall not be entitled to take any action with respect to the Facility, including, without limitation, any declaration or acceleration under Section 10.2, but that any such action shall be taken only by the Administrative Agent with the prior written consent of the Lenders, the Majority Lenders or the Super Majority Lenders, as applicable, provided that, notwithstanding the foregoing:
- (i) in the absence of instructions from the Lenders, from the Majority Lenders or from the Super Majority Lenders, as applicable, and where in the sole opinion of the Administrative Agent the exigencies of the situation warrant such action, the Administrative Agent may without notice to or consent of the Lenders take such action on behalf of the Lenders as it deems appropriate or desirable in the interest of the Lenders; and
 - (ii) the commencement of litigation before any court shall be made in the name of each Lender individually unless the laws of the jurisdiction of such court permit such litigation to be commenced in the name of the Administrative Agent on behalf of the Lenders (whether pursuant to a specific power of attorney in favour of the Administrative Agent or otherwise) and the Administrative Agent agrees to commence such litigation in its name;

each of the Lenders hereby further covenants and agrees that upon any such written consent being given by the Lenders, the Majority Lenders or the Super Majority Lenders, as applicable, they shall co-operate fully with the Administrative Agent to the extent requested by the Administrative Agent in the

collective realization including, without limitation, the appointment of a receiver and manager to act for their collective benefit; and each Lender covenants and agrees to do all acts and things and to make, execute and deliver all agreements and other instruments, including, without limitation, any instruments necessary to effect any registrations, so as to fully carry out the intent and purpose of this Section 11.11; and each of the Lenders hereby covenants and agrees that, other

than as provided in this Agreement, it has not heretofore and shall not seek, take, accept or receive any security for any of the obligations and liabilities of the Borrowers or any Guarantor hereunder or under any other document, instrument, writing or agreement ancillary hereto and shall not enter into any agreement with any of the parties hereto or thereto relating in any manner whatsoever to the Facility, unless all of the Lenders shall at the same time obtain the benefit of any such agreement.

- (b) Notwithstanding any other provision contained in this Agreement, no Lender shall be required to be joined as a party to any litigation commenced against any Obligor by the Administrative Agent, the Majority Lenders or the Super Majority Lenders, as applicable, hereunder (unless otherwise required by any court of competent jurisdiction) if it elects not to be so joined in which event any such litigation shall not include claims in respect of the rights of such Lender against the Obligors hereunder until such time as such Lender does elect to be so joined; provided that if at the time of such subsequent election it is not possible or practicable for such Lender to be so joined, then such Lender may commence proceedings in its own name in respect of its rights against the Obligors hereunder.

11.12 Reliance Upon Lenders

The Administrative Agent shall be entitled to rely upon any certificate, notice or other document provided to it by a Lender on behalf of all financial institutions and Affiliates which together constitute a Lender pursuant to this Agreement and the Administrative Agent shall be entitled to deal with the Lenders with respect to the matters under this Agreement which are such Administrative Agent's responsibilities without any liability whatsoever to the Lenders for relying upon any certificate, notice or other document provided to it by such Lender notwithstanding any lack of authority of the Lender to provide the same or to bind the other financial institutions and Affiliates which together constitute a Lender.

11.13 Reliance upon Administrative Agent

The Obligors shall be entitled to rely upon any certificate, notice or other document provided to any of them by the Administrative Agent pursuant to this Agreement or any other Loan Document and the Obligors shall be entitled to deal with the Administrative Agent (and, except as otherwise specifically provided, not to deal with any Lender prior to an Event of Default) with respect to all matters under this Agreement and the other Loan Documents without any liability whatsoever to the Lenders for relying upon any certificate, notice or other document provided to any of them by the Administrative Agent, notwithstanding any lack of authority of the Administrative Agent to provide the same. Without limiting the generality of the foregoing, but subject as herein otherwise specifically provided, none of the Lenders shall have any right to enforce directly any of the provisions of this Agreement or any other Loan Document or to communicate with the Obligors except through the Administrative Agent in accordance with the terms of this Agreement or as otherwise specifically provided in this Agreement. The provisions of this Article 11 are for the benefit of the Agents and the Lenders and, except for the provisions of Sections 11.2, 11.13, 11.14 and 11.15, may not be relied upon by the Obligors.

11.14 Replacement of Cancelled Commitments

If, at any time prior to the Maturity Date, the Commitment of any Lender or Lenders is cancelled, or any Lender fails to perform its obligations hereunder, the Administrative Agent may, and at the request of the Borrowers, provided that no Default or Event of Default has occurred and is continuing, shall use its reasonable efforts to locate one or more other Persons ("**Substitute Lenders**") satisfactory to the Borrowers (who may be an existing Lender) to become a Lender and to assume all or a portion of the Commitment so cancelled, provided that the Administrative Agent shall not be under any obligation to assume such cancelled Commitment itself if the Administrative Agent is unable to locate any Substitute Lenders. Upon locating one or more Substitute Lenders, the Administrative Agent (on behalf of each of the parties hereto other than the Borrowers and the Lender or Lenders whose Commitment has been cancelled), the Borrowers and the Substitute Lender or Lenders shall make any appropriate amendments to this Agreement which are required to incorporate such Substitute Lender or Lenders hereunder. If any Substitute Lender is not an existing Lender, then Celestica shall pay to the Administrative Agent an administration fee of U.S.\$ 3,500.

11.15 Disclosure of Information

The Administrative Agent and each of the Lenders acknowledges the confidential nature of this Agreement, the financial, operational and other information and data provided and to be provided to it by the Borrowers pursuant hereto that is not at the time it is so provided or (other than through a breach of this Agreement) thereafter in the public domain and agrees not to disclose such information; provided, however, that:

- (a) the Administrative Agent and each Lender may disclose all or any part of such information to any proposed assignee or transferee or participant of any Lender or to any potential direct or indirect swap counterparty and its counsel, provided that such Person has executed and delivered to the Administrative Agent or such Lender a confidentiality agreement in a form satisfactory to the Administrative Agent or such Lender, which terms shall include an agreement to comply with this Section 11.15;
- (b) the Administrative Agent and each Lender may disclose all or any part of such information if, (A) in the sole reasonable opinion (stated in writing) of the Lenders' Counsel, such disclosure is compellable by Applicable Law in connection with any threatened judicial, administrative or governmental proceeding or is required in connection with any actual judicial, administrative or governmental proceeding or (B) such disclosure is compellable by Applicable Law, provided that in any such event the Administrative Agent or the relevant Lender will make reasonable efforts to provide Celestica with prompt written notice of any such compellable disclosure so that Celestica may seek a protective order or other appropriate remedy or relief to prevent such disclosure from being made. The failure to deliver such notice or, where applicable, the giving of such notice, shall not preclude disclosure by the Administrative Agent or the Lender where legally required in the opinion of Lenders' Counsel. In any event, the Administrative Agent or Lender will furnish only that portion of such information which, in the reasonable opinion of the Lenders' Counsel, it is legally required to

disclose and will request that confidential treatment will be accorded such information;

- (c) it shall incur no liability in respect of any disclosure of such information to any, or pursuant to the requirements of any, judicial authority, law enforcement agency, tax or regulatory authority which it is required to make in accordance with Applicable Law;

- (d) it shall inform the Borrowers, as soon as is practicable, of any disclosure of such information made by it unless such disclosure is in the ordinary course of its business or such tax or regulatory authority or such judicial authority or law enforcement agency requires the Administrative Agent or such Lender not to inform the Borrowers of the disclosure of such information to it;
- (e) the Administrative Agent and each Lender may disclose all or any part of such information to its auditors or to Lenders' Counsel or other counsel of reputable standing for the purpose of seeking or obtaining accounting or legal advice, provided that any such auditors (except where such auditor is the Auditor General of Canada, in which case such disclosure may be made on a non-confidential basis) or counsel are bound by a professional duty of confidentiality;
- (f) the Administrative Agent and each Lender may disclose such information to any employees, agents, officers and directors of the Administrative Agent or any Lender, and of any Subsidiary or Affiliate of the Administrative Agent or any Lender (a "Representative"), if such disclosure is required in connection with the administration of the Facility, provided that the Administrative Agent or such Lender shall be responsible for a breach by any of its Representatives of the obligation not to disclose such information;
- (g) the Administrative Agent and each Lender may disclose such information to any nationally recognized rating agency that requires access to information about the Administrative Agent's or such Lender's investment portfolio in connection with ratings issued with respect to the Administrative Agent or such Lender, provided that the Administrative Agent or such Lender will request that confidential treatment will be accorded such information; and
- (h) the Administrative Agent and each Lender may disclose all or any part of such information with the prior written consent of Celestica.

11.16 Adjustments of Rateable Portions

- (a) In connection with any Drawdown (other than a Drawdown of a Swing Line Advance), Conversion or Rollover or any reimbursement or repayment of an Obligation, the Administrative Agent shall, in its sole and unfettered discretion, have the right (but not the obligation) to make adjustments of the amount of such Drawdown, Conversion or Rollover advanced or paid by such Lender or the amount of such reimbursement or repayment to be received by such Lender in order to maintain the balances of the Advances made by each Lender other than to

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a Consent Designated Subsidiary in the same portion as the Main Facility Rateable Portion of each Lender.

- (b) Upon the occurrence of an acceleration under Section 10.1(h), 10.1(i) or 10.2, if, with respect to any Lender, the aggregate of all outstanding Advances made by such Lender is less than its Global Rateable Portion (after giving effect to any adjustment made pursuant to Subsection 11.16(a)) of the aggregate of all outstanding Advances, the Administrative Agent may, by written notice, require such Lender to pay to the Administrative Agent, for the credit of the other Lenders, in such currency or currencies as the Administrative Agent may in its discretion determine, such amount as may be required so as to bring the aggregate of all outstanding Advances made by such Lender equal to its Global Rateable Portion of the aggregate of all outstanding Advances. The Administrative Agent shall credit the funds received from such Lender to any other Lender or Lenders, as it may determine in its discretion, so as to render the aggregate of the outstanding Advances made by each Lender equal to the Global Rateable Portion of each Lender of all outstanding Advances.

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ARTICLE 12 COSTS, EXPENSES AND INDEMNIFICATION

12.1 Costs and Expenses

Each Borrower shall pay promptly, upon request by the Administrative Agent accompanied by reasonable supporting documentation or other evidence, all reasonable costs and expenses in connection with the due diligence pertaining to or the preparation, printing, execution and delivery of this Agreement and the other documents to be delivered hereunder including, without limitation, the reasonable fees and out-of-pocket expenses of the Lenders' Counsel with respect thereto. Except for ordinary expenses of the Administrative Agent relating to the day-to-day administration of this Agreement, each Borrower further agrees to pay all reasonable out-of-pocket costs and expenses (including reasonable fees and expenses of counsel, accountants and other experts) in connection with the syndication of the Facility and the interpretation, preservation or enforcement of rights of the Administrative Agent and the Lenders under this Agreement and the Loan Documents including, without limitation, all reasonable costs and expenses sustained by them as a result of any failure by any of the Borrowers or Guarantors to perform or observe its obligations contained in any of this Agreement and the Loan Documents and including the costs and expenses of any waivers, consents, amendments, discharges, releases or similar requirements related to any Loan Document. The Borrowers further agree to pay all reasonable out-of-pocket expenses of the Issuing Bank with respect to the issuance and administration of Letters of Credit.

12.2 Indemnification by the Borrowers

In addition to any liability of each Borrower to any Lender or any Agent under any other provision hereof, each Borrower shall indemnify the Lenders and the Agents and hold each Lender and each Agent harmless against any reasonable costs or expenses incurred by a Lender or an Agent as a result of (i) any failure by such Borrower to fulfil any of its obligations hereunder or under any Loan Document in the manner provided herein including, without limitation, any cost or expense incurred by reason of the liquidation or re-employment in whole or in part of deposits or other funds required by any Lender to fund or maintain any Advance as a result of the failure of such Borrower to complete a Drawdown or to make any repayment or other payment on the date required hereunder or specified by it in any notice given hereunder; or (ii) the failure of such Borrower to pay any other amount including, without limitation, any interest or fee due hereunder on its due date; or (iii) the prepayment or repayment by such Borrower of any LIBOR Advance or Bankers' Acceptance Advance prior to its date of maturity or the last day of the then current Interest Period for such Advance; or (iv) any failure by a Borrower or Designated Subsidiary to fulfill any of its obligations under any interest rate swap agreements entered into during the term of this Agreement by such Borrower or Designated Subsidiary with any Person who was, at the time such interest rate swap agreement was entered into, a Lender. The indemnity in Section 12.2, to the extent that it relates to clause (iv), shall survive the termination of this Agreement and the Commitments hereunder and shall remain in full force and effect until such time as the parties to such interest rate swap agreements have no obligations thereunder.

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12.3 Funds

Each amount advanced, made available, disbursed or paid hereunder shall be advanced, made available, disbursed or paid, as the case may be, in immediately available funds or, after notice from the Administrative Agent, in such other form of funds as may from time to time be customarily used in the jurisdiction in which the Advance is advanced,

made available, disbursed or paid in the settlement of banking transactions similar to the banking transactions required to give effect to the provisions of this Agreement on the day such advance, disbursement or payment is to be made.

12.4 General Indemnity

- (a) **Indemnity.** Subject to paragraphs (b), (c) and (d) below, the Borrowers agree to indemnify and save harmless the Agents, the Lenders, their respective Affiliates involved in the syndication or administration of the Facility, their respective officers, directors, employees and agents (collectively, the “**Indemnitees**” and individually, an “**Indemnitee**”) from and against any and all liabilities, claims, damages and losses (including reasonable legal fees and disbursements of counsel but excluding loss of profits and special or consequential damages) (collectively, the “**Losses**”) as a result of any claims, actions or proceedings (“**Claims**”) asserted against the Indemnitees, by a Person other than the Indemnitees in connection with the agreement of the Lenders to provide the Facility, the Commitments of the Lenders and the Advances made by the Lenders including, without limitation: (i) the costs of defending and/or counterclaiming or claiming over against third parties in respect of any Claim; and (ii) subject to the provisions set forth in paragraph (d) below, any Losses arising out of a settlement of any Claim made by the Indemnitees.
- (b) **Limitations to Indemnity.** The foregoing obligations of indemnification shall not apply to (i) any Losses suffered by the Indemnitees or any of them or to any Claim asserted against the Indemnitees or any of them to the extent such Loss or Claim has resulted from the gross negligence or wilful misconduct (as determined by a final, non-appealable decision of a court of competent jurisdiction) of the Indemnitees or any of them; or (ii) any Losses with respect to Taxes for which an Indemnitee may claim an indemnity from an Obligor pursuant to Section 5.5(b) of this Agreement.
- (c) **Notification.** Whenever a Lender or an Agent shall have received notice that a Claim has been commenced or threatened, which, if successful, would subject a Borrower (the “**Indemnifying Party**”) to the indemnity provisions of this Section 12.4, the Lender or the Agent shall as soon as reasonably possible notify (to the extent permitted by law) the Indemnifying Party in writing of the Claim and of all relevant information the Lender or the Agent possesses relating thereto; provided, however, that failure to so notify the Indemnifying Party shall not release it from any liability which it may have on account of the indemnity set forth in this Section 12.4, except to the extent that the Indemnifying Party shall have been materially prejudiced by such failure.

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- (d) **Defence and Settlement.** The Indemnifying Party shall have the right, but not the obligation, to assume the defence of any Claim in any jurisdiction with legal counsel of reputable standing in order to protect the rights and interest of the Indemnitees. In such respect, (i) the Indemnifying Party shall require the consent of the Indemnitees to the choice of legal counsel in connection with the Claim, which consent shall not be unreasonably withheld or delayed; and (ii) without prejudice to the rights of the Indemnitees to retain counsel and participate in the defence of the Claim, the Indemnifying Party and the Indemnitees shall make all reasonable efforts to co-ordinate their course of action in connection with the defence of such Claim. The related costs and expenses sustained in such respect by the Indemnitees shall be at the expense of the Indemnifying Party, provided that the Indemnifying Party shall only be liable for the costs and expenses of one firm of separate counsel in addition to the cost of any local counsel that may be required. If the Indemnifying Party fails to assume defence of the Claim, the Indemnitees will (upon further notice to the Borrowers) have the right to undertake, at the expense of the Indemnifying Party, the defence, compromise or settlement of the Claim on behalf and for the account and risk of the Indemnifying Party, subject to the right of the Indemnifying Party to assume the defence of the Claim at any time prior to settlement, compromise or final determination thereof.

Notwithstanding the foregoing, in the event the Indemnitee, acting reasonably, does not agree with the manner or timeliness in which the legal counsel of the Indemnifying Party is carrying on the defence of the Claim, or, pursuant to the opinion of a reputable counsel retained by the Indemnitee, there may be one or more legal defences available different from the one carried on by the legal counsel of the Indemnifying Party, the Indemnitee shall have the right to assume its own defence in the Claim by appointing its own legal counsel. The costs and the expenses sustained by the Indemnitee shall be at the expense of the Indemnifying Party provided that the Indemnifying Party shall only be liable for the costs and expenses of one firm of separate counsel, in addition to the costs of any local counsel that may be required.

The Indemnifying Party shall not be liable for any settlement of any Claim effected without its written consent (which shall not be unreasonably withheld or delayed). In addition, the Indemnifying Party will not, without the prior written consent of the Indemnitee (which consent shall not be unreasonably withheld or delayed), settle, compromise or consent to the entry of any judgment in or otherwise seek to terminate any Claim or threatened Claim in respect of which indemnification or contribution may be sought hereunder.

If an offer for settlement made to any Indemnitee which the Indemnifying Party has recommended for acceptance is rejected by the Indemnitee and the final liability of the Indemnitee in respect of such action and all related damages is greater than such offer, the liability of the Indemnifying Party will only be to indemnify the Indemnitee up to the amount of such offer.

12.5 Environmental Claims

- (a) **Indemnity.** Subject to paragraphs (b), (c) and (d) below, the Borrowers agree to indemnify and save harmless the Indemnitees from and against any and all Losses as a result of any Claims asserted against the Indemnitees by a Person other than the Indemnitees with respect to any material presence or Release on, into, onto,

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under or from any property owned, leased or operated by any of the Borrowers or any Subsidiary (the “**Property**”) of any Hazardous Material regardless of whether caused by, or within the control of, the Borrower or any Subsidiary or which arises out of or in connection with any action of, or failure to act by, the Borrowers or any Subsidiary or any predecessor or successor thereof in contravention of any present or future applicable Environmental Laws, whether or not having the force of law, including, without limitation: (i) the costs of defending and/or counterclaiming or claiming over against third parties in respect of any such Claim; and (ii) subject to the provisions set forth in paragraph (d) below, any Losses arising out of a settlement made by the Indemnitees of any Claim.

- (b) **Limitations to Indemnity.** The foregoing obligations of indemnification shall not apply to any Losses suffered by the Indemnitees or any of them or to any Claim asserted against the Indemnitees or any of them which relates directly to any action or omission taken by any of the Indemnitees while in possession or control of the Property which is grossly negligent or constitutes wilful misconduct (as determined by a final, non-appealable decision of a court of competent jurisdiction) but shall apply to any Claim occurring during such period that relates to a continuation of conditions previously in existence or of a practise previously employed by any Obligor.
- (c) **Notification.** Whenever an Indemnitee shall have received notice that a Claim has been commenced or threatened, which, if successful, would subject the Borrowers to the indemnity provisions of this Section 12.5, the Indemnitee shall as soon as reasonably possible and in any event on or before the expiry of the date (the “**Notification Date**”) which is the earlier of (i) the tenth Banking Day after the receipt of such notice by the Indemnitee, and (ii) such date as will afford sufficient time for the Borrowers to prepare and file a timely answer to the Claim, notify the Borrowers of the Claim and of all relevant information the Indemnitee possesses relating thereto. If the Indemnitee shall fail to so notify the Borrowers and provide it with such information on or

before the Notification Date, the Borrowers shall not have any liability hereunder in respect of any Losses suffered by the Indemnitee in respect of such Claim to the extent such Losses may be reasonably attributable to such failure by the Indemnitee.

- (d) **Defence and Settlement.** The provisions of Section 12.4(d) shall apply to any Claims under this Section 12.5.

ARTICLE 13 GENERAL

13.1 Term

The Facility shall expire on the Maturity Date.

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13.2 Survival

All covenants, agreements, representations and warranties made herein or in certificates delivered in connection herewith by or on behalf of each Obligor shall survive the execution and delivery of this Agreement and the making of the Drawdowns hereunder and shall continue in full force and effect so long as there is any obligation of an Obligor to the Agents and the Lenders hereunder or under any other Loan Document.

13.3 Benefit of the Agreement

This Agreement shall enure to the benefit of and be binding upon the successors and permitted assigns of the Borrowers and the successors and permitted assigns of the Agents and the Lenders.

13.4 Notices

All notices, requests, demands or other communications to or from the parties hereto shall be in writing and shall be given by overnight delivery service, by hand delivery or by telecopy to the addressee as follows:

- (i) If to the Borrowers:

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

Attention: Senior Vice President and Treasurer

Telecopier: 416-448-2280

with a copy to:

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

Attention: Senior Vice President and Chief Legal Officer

Telecopier: 416-448-2817

- (ii) If to the Administrative Agent:

Canadian Imperial Bank of Commerce
161 Bay Street
BCE Place, 8th Floor
Toronto, Ontario
M5J 2S8

Attention: Director, Agency

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Telecopier: (416) 956-3830

- (iii) if to a Lender, at the addresses set out in Schedule A or in the relevant Transfer Notice;

or at such other address or to such other individual as the Borrowers may designate by notice to the Administrative Agent and as the Administrative Agent or a Lender may designate by notice to the Borrowers and the Lenders or the Administrative Agent, as the case may be.

13.5 Amendment and Waiver

This Agreement and any Loan Documents collateral hereto may be modified or amended and a waiver of any breach of any term or provision of this Agreement shall be effective only if the Borrowers, the Administrative Agent and the Majority Lenders so agree in writing, provided that in all cases the Borrowers shall be entitled to rely upon the Administrative Agent, without further inquiry in respect of any amendments or waivers agreed to by the Administrative Agent and which the Administrative Agent has confirmed have been agreed to by the Majority Lenders; provided further, however, that:

- (a) no amendment, waiver or consent, unless in writing and signed by all of the Lenders shall: (i) increase the Commitment of any Lender or subject any Lender to any additional obligation; (ii) reduce the principal of, or interest on, the Advances or reduce any fees hereunder; (iii) postpone any date fixed for any payment of principal of, or interest on, the Advances or any other amounts payable hereunder; (iv) amend the definition of Majority Lenders or Super Majority Lenders; (v) amend this Section 13.5; or (vi) release, in one transaction or a series of transactions, all or substantially all of the Guarantees or the Security (other than in accordance with Section 9.1(p)(v));
- (b) except as otherwise expressly provided herein, the amendment at any time of any Security Document or the release at any time of any Guarantee or Security, in each case where Section 13.5(a)(vi) does not apply, by the Administrative Agent, on behalf of itself and the Lenders, will require the consent of the Super Majority Lenders, except that: (i) to the extent that a release of a Guarantee or any Security, as applicable, may be effected pursuant to a transaction subject to Section 13.12 only, the consent of the Administrative Agent and the Majority Lenders will be required; (ii) to the extent that a release of a Guarantee or any Security, as applicable, may be effected pursuant to Section 7.3(b) only, the consent of the Administrative Agent will be required; (iii) the consent to the release of a Guarantee or any Security, as applicable, granted by a Material Restricted Subsidiary shall be deemed to have been given by the Super Majority Lenders or the Majority Lenders, as applicable, if the Super Majority Lenders or the Majority Lenders, as applicable, provided consent to the sale of the Shares of a Material Restricted Subsidiary or a Domestic Restricted Subsidiary or the sale of all or substantially all of the undertaking, property and assets of a Material Restricted Subsidiary or Domestic Restricted Subsidiary used in conducting a business, as applicable, pursuant to Section 9.2(b)(ix); and (iv) to the extent that an amendment, as determined by the Administrative Agent and Lenders' Counsel, each acting reasonably, does not materially impair the enforceability or

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unconditionality of such Guarantee or such Security, the consent of the Administrative Agent is required; and

- (c) no amendment, waiver or consent, unless in writing and signed by the Administrative Agent, Swing Line Lender or Issuing Bank, as applicable, in addition to the Lenders required herein above to take such action, affects the rights or duties of the Administrative Agent, Swing Line Lender or Issuing Bank, as applicable, under this Agreement or any Advance.

A waiver of any breach of any term or provision of this Agreement shall be limited to the specific breach waived.

13.6 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. The Agents, Lenders and Borrowers agree that any legal suit, action or proceeding arising out of this Agreement or any Loan Document may be instituted in the courts of Ontario, and the Agents, Lenders and Borrowers hereby accept and irrevocably submit to the nonexclusive jurisdiction of said courts and acknowledge their competence and agree to be bound by any judgment thereof.

13.7 Further Assurances

Each Obligor shall promptly cure any default in its execution and delivery of this Agreement or in any of the other instruments referred to or contemplated herein to which it is a party. Each Obligor, at its expense, will promptly execute and deliver, or cause to be executed and delivered, to the Administrative Agent, upon request, all such other and further documents, agreements, certificates and instruments in compliance with, or accomplishment of the covenants and agreements of such Obligor hereunder or more fully to state the obligations of such Obligor as set out herein or to make any recording, file any notice or obtain any consents, all as may be necessary or appropriate in connection therewith.

13.8 Enforcement and Waiver by the Lenders

Subject to Section 11.11, the Administrative Agent and the Lenders shall have the right at all times to enforce the provisions of this Agreement and the other Loan Documents in strict accordance with the terms hereof and thereof, notwithstanding any conduct or custom on the part of the Administrative Agent or the Lenders in refraining from so doing at any time or times. The failure of the Administrative Agent or the Lenders at any time or times to enforce their rights under such provisions, strictly in accordance with the same, shall not be construed as having created a custom in any way or manner, modified or waived the same. All rights and remedies of the Administrative Agent and the Lenders are cumulative and concurrent and the exercise of one right or remedy shall not be deemed a waiver or release of any other right or remedy.

13.9 Execution in Counterparts

This Agreement may be executed in counterparts, each of which shall be considered an original and all of which taken together shall constitute a single agreement.

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13.10 Assignment by the Borrowers

The rights and obligations of the Borrowers under this Agreement are not assignable to any other Person, except in accordance with Article 7, without the prior written consent of all of the Lenders, which consent shall not be unreasonably withheld.

13.11 Assignments and Transfers by a Lender

- (a) With the prior written consent of the Administrative Agent and Celestica, such consent not to be unreasonably withheld or delayed, any Lender may, at any time, assign all or any of its rights and benefits hereunder or transfer in accordance with Section 13.11(b) all or any of its rights, benefits and obligations hereunder; provided that in the event that such assignment would give rise to a claim for increased costs pursuant to Article 5, it shall not be unreasonable for Celestica to withhold its consent to such assignment. Any assignment or transfer shall be with respect to a minimum Commitment of U.S.\$ 10,000,000 and integral multiples of U.S.\$ 1,000,000 in excess thereof. A lesser amount may be assigned or transferred by any Lender if such amount represents the remaining balance of such Lender's Commitment. Notwithstanding the foregoing, the consent of the Administrative Agent and Celestica is not required in connection with the assignment or transfer of all or any of the rights, benefits and obligations hereunder (i) to any Subsidiary or Affiliate of a Lender or to any other Lender hereunder provided that notice is given to the Administrative Agent and Celestica, and provided that, in either case, any such assignment or transfer does not give rise to a claim for increased costs pursuant to Article 5 or any obligation on the part of an Obligor to deduct or withhold any Taxes from or in respect of any sum payable hereunder to the Administrative Agent or the Lenders, in either case, in excess of what would have been the case without such assignment, or such assignee waives the rights to any benefits under Section 5.5; or (ii) to any Person if an Event of Default has occurred and is continuing.
- (b) If any Lender assigns all or any of its rights and benefits hereunder in accordance with Section 13.11(a), then, unless and until the assignee has agreed with the Administrative Agent and the other Lenders (in a Transfer Notice or otherwise) that it shall be under the same obligations towards each of them as it

would have been under if it had been an original party hereto as a Lender, none of the Administrative Agent or any of the other Lenders or the Borrowers shall be obliged to recognize such assignee as having the rights against each of them which it would have had if it had been such a party hereto.

- (c) If any Lender wishes to assign all or any of its rights, benefits and/or obligations hereunder as contemplated in Section 13.11(a), then such transfer may be effected upon:
- (i) receipt of the written consent of the Administrative Agent and Celestica as referred to in Section 13.11(a) delivered to the relevant assignee by the Administrative Agent unless an Event of Default has occurred and is continuing in which case consent of Celestica shall not be required;
 - (ii) the delivery to and countersignature by the relevant Lender of a duly completed and duly executed Transfer Notice; and
 - (iii) if any Lender wishes to assign any of its rights, benefits and/or obligations hereunder to a financial institution which is not a Lender or a Subsidiary or Affiliate of a Lender, such Lender shall have paid to the Administrative Agent a fee in the amount of U.S.\$ 3,500;

in which event, on the later of the effective date, if any, specified in such Transfer Notice and the fifth Banking Day after the date of delivery of such Transfer Notice to the Administrative Agent (unless the Administrative Agent agrees to a shorter period):
 - (iv) to the extent that in such Transfer Notice the Lender party thereto seeks to transfer its rights and obligations hereunder, each of the Obligors and such Lender shall be released from further obligations towards one another hereunder and their respective rights against one another shall be cancelled (such rights and obligations being referred to in this Section 13.11(c) as **“discharged rights and obligations”**);
 - (v) each of the Obligors and the assignee party thereto shall assume obligations towards one another and/or acquire rights against one another which differ from such discharged rights and obligations only insofar as such Obligor and such Assignee have assumed and/or acquired the same in place of such Obligor and such Lender; and
 - (vi) the Administrative Agent, such assignee and the other Lenders shall acquire the same rights and assume the same obligations between themselves as they would have acquired and assumed had such assignee been an original party hereto as a Lender with the rights and/or obligations acquired or assumed by it as a result of such transfer.
- (d) Each of the parties hereto confirms that:
- (i) the delivery to an assignee of a Transfer Notice signed by a Lender constitutes an irrevocable offer (subject to the conditions of Section 13.11(c)) by each of the parties hereto to accept such transferee (subject to the conditions set out herein) as a Lender party hereto with the rights and obligations so expressed to be transferred;
 - (ii) such offer may be accepted by such assignee by the execution of such Transfer Notice by such assignee and upon fulfilment of the conditions set forth in Section 13.11(c); and
 - (iii) the provisions of this Agreement shall apply to the contract between the parties thereto arising as a result of acceptance of such offer.
- (e) The Administrative Agent shall not be obliged to accept any Transfer Notice received by it hereunder and no such Transfer Notice may take effect on any day

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on or after the receipt by the Administrative Agent of a Drawdown Notice and prior to the date for the making of the proposed Advance.

- (f) No transfer pursuant to this Section 13.11 shall, unless the Administrative Agent otherwise decides in its absolute discretion and notifies the parties to such transfer accordingly, be effective if the date for effectiveness of such transfer on the day on which the Administrative Agent receives the applicable Transfer Notice is on, or less than five Banking Days before, the day for the payment of any interest or fee hereunder.
- (g) Any Lender may participate all or any part of its interest hereunder, provided that any such participation does not give rise to a claim for increased costs pursuant to Article 5 or any obligation on the part of an Obligor to deduct or withhold any Taxes from or in respect of any sum payable hereunder to an Agent or the Lenders, or such Lender and participant waive the right to any benefits under Section 5.5 and, in such case, notice of such participation has been given to the Administrative Agent and Celestica. Such participant shall not be entitled to any vote as a Lender. The Borrowers shall not be obligated to deal with any participant and shall be entitled to deal solely with the Lender and the Lender shall not be released from any of its obligations to the Borrowers as a result of such participation except to the extent that the participant has fulfilled such obligations. Such participants shall be bound to the same confidentiality provisions with respect to the Facility, the Borrowers and the Subsidiaries as are applicable to the Lenders.

13.12 Certain Requirements in Respect of Merger, Etc.

No Borrower shall, and the Borrowers shall not permit any Restricted Subsidiary (in each case, a **“Predecessor Corporation”**) to, enter into any transaction (whether by way of liquidation, dissolution, amalgamation, merger, transfer, sale or otherwise) whereby all or substantially all of its undertaking, property and assets would become the property of any other Person or, in the case of any such amalgamation or merger, of the continuing company resulting therefrom, or whereby the obligation of the Predecessor Corporation to pay amounts under this Agreement would become subject to novation or assumed or undertaken by any other such Person or continuing company (a **“Corporate Reorganization”**), provided that it may do so (and if the Predecessor Corporation is a Borrower or a Material Restricted Subsidiary or a Grantor such Person or continuing company shall become a party to this Agreement or to the Guarantee provided by such Material Restricted Subsidiary or the other Security Documents, as applicable, provided by such Grantor as the case may be) if:

- (a) such other Person or continuing company (herein referred to as a **“Successor Corporation”**) is a Borrower or Restricted Subsidiary;
- (b) where required in the reasonable opinion of Lenders' Counsel, a Successor Corporation which is a Borrower or Material Restricted Subsidiary or Grantor shall execute and/or deliver to the Administrative Agent an agreement supplemental hereto or to the Guarantee or Guarantees or the Security Documents, as applicable, executed by a Predecessor Corporation or Predecessor Corporations, as the case may be, in form reasonably satisfactory to the

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Administrative Agent and execute and/or deliver such other instruments, if any, which to the reasonable satisfaction of the Administrative Agent and in the opinion of Lenders' Counsel are necessary to evidence (i) the assumption by the Successor Corporation of liability under each Loan Document to which the Predecessor Corporation is a party for the due and punctual payment of all money payable by the Predecessor Corporation thereunder, (ii) the covenant of the Successor Corporation to pay the same, (iii) the agreement of the Successor Corporation to observe and perform all the covenants and obligations of the Predecessor Corporation under each Loan Document to which the Predecessor Corporation was a party and to be bound by all the terms of each such Loan Document so far as they relate to the Predecessor Corporation, and (iv) if applicable, that the Security granted by the Predecessor Corporation continues to secure all of the Obligations and Eligible Hedging Obligations of the Successor Corporation pursuant to or in connection with any Loan Document, which instruments, if any, shall be in form reasonably satisfactory to the Administrative Agent;

- (c) such transaction would not have a Material Adverse Effect;
- (d) all Other Taxes payable as a result of such transaction have been paid;
- (e) such transaction will not result in any claim for increased costs pursuant to Section 5.2 or result in any Tax being levied on or payable by the Administrative Agent or any Lender (except for Taxes on the overall net income or capital of the Administrative Agent or a Lender provided there is no increase in such Taxes as a result of such transaction);
- (f) such transaction will not cause, or have the result of the Administrative Agent, the Lenders or any of them being in default under, noncompliance with, or violation of, any Applicable Law;
- (g) an opinion of Borrowers' counsel, substantially in the form and as to matters addressed in the opinion of Borrowers' Counsel delivered pursuant to Section 6.1 and as to the matters addressed in the opinion of the Borrowers' Counsel delivered pursuant to Section 9.1(p)(ii), as applicable, shall have been delivered to the Administrative Agent;
- (h) each of the covenants set forth in Section 9.3 shall be satisfied on an actual and *pro forma* basis after giving effect to such transaction;
- (i) evidence of the due registration, recording and/or filing of the Security Documents in all jurisdictions necessary to protect, perfect and preserve as first ranking security (subject to Permitted Encumbrances) the Security created thereby; and
- (j) no Default or Event of Default shall have occurred and be continuing or will occur as a result of such transaction.

Sections 13.12(a), (b) and (g) shall not apply to (i) the liquidation or dissolution of the Restricted Subsidiaries listed in Schedule R; (ii) the merger of the Restricted Subsidiaries listed in Schedule S; (iii) the sale of assets of Celestica (Swords) Limited to Celestica Ireland Limited and subsequent dissolution of Celestica (Swords) Limited; and (iv) the sale of assets of Celestica (AMS) Sdn. Bhd. to Celestica Electronics (M) Sdn. Bhd. and subsequent dissolution of Celestica (AMS) Sdn. Bhd.

This Section 13.12 shall not apply to permit any consolidation, amalgamation or merger by or of Celestica unless, as the result thereof, the Successor Corporation is Celestica.

A Successor Corporation shall not be required to comply with Section 13.12(b), (g) and (i) in respect of a Corporate Reorganization where (i) no Security Document has been delivered by a Predecessor Corporation or is required to be delivered by a Successor Corporation, and (ii) one or more of the participants in the subject Corporate Reorganization is a Predecessor Corporation which is a Borrower or Restricted Subsidiary existing under the laws of an Exempted Jurisdiction and which, prior to the completion of such Corporate Reorganization, delivered a Guarantee in accordance with Section 9.1(m)(i) and the Guarantee delivered by such Predecessor Corporation (the "Predecessor Guarantee") has not been terminated or released. In this paragraph, "Exempted Jurisdiction" means:

- (i) the Province of Ontario, unless, following the date hereof, the laws of such Province change in a manner that would adversely affect the enforceability of the Predecessor Guarantee against the Successor Corporation;
- (ii) Canada, unless following the date hereof, the laws of Canada or the laws of the Province of Canada which govern such Guarantee change in a manner that would adversely affect the enforceability of the Predecessor Guarantee against the Successor Corporation; and
- (iii) the State of Delaware, unless, following the date hereof, the laws of such State change in a manner that would adversely affect the enforceability of the Predecessor Guarantee against the Successor Corporation.

13.13 Set-Off

If an Event of Default has occurred, the Administrative Agent and each Lender shall have the right to set off against any accounts, credits or balances maintained by the Obligors with the Administrative Agent or any Lender, any amount due hereunder.

13.14 Time of the Essence

Time shall be of the essence in this Agreement.

13.15 Advertisements

The Administrative Agent and the Lenders agree that prior to any advertisement with respect to this transaction, the Administrative Agent shall obtain the written consent of Celestica as to the form and content of such advertisement, such consent not to be reasonably withheld and to be provided as soon as practicable.

13.16 Judgement Currency

If, for the purposes of obtaining judgment in any court, it is necessary to convert a sum due to the Administrative Agent or a Lender in any currency (the "Original Currency") into another currency (the "Other Currency"), the parties agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which, in accordance with normal banking procedures, the Administrative Agent or such Lender could purchase the Original Currency with the Other Currency on the Banking Day preceding the day on which final judgment is given or, if permitted by Applicable Law, on the day on which the judgment is paid or satisfied.

The obligations of an Obligor in respect of any sum due in the Original Currency from it to the Administrative Agent or any Lender under any of the Loan Documents shall, notwithstanding any judgment in any Other Currency, be discharged only to the extent that on the Banking Day following receipt by the Administrative Agent or such Lender of any sum adjudged to be so due in the Other Currency, the Administrative Agent or such Lender may, in accordance with normal banking procedures, purchase the Original Currency with such Other Currency. If the amount of the Original Currency so purchased is less than the sum originally due to the Administrative Agent or such Lender in the Original Currency, such Borrower agrees, as a separate obligation and notwithstanding the judgment, to indemnify the Administrative Agent or such Lender, as the case may be, against any loss, and, if the amount of the Original Currency so purchased exceeds the sum originally due to the Administrative Agent or such Lender in the Original Currency, the Administrative Agent or such Lender shall remit such excess to such Borrower.

IN WITNESS WHEREOF the parties hereto have executed this Agreement.

CELESTICA INC.

By: /s/ Paul Nicoletti
Name:
Title:

By: _____
Name:
Title:

DESIGNATED SUBSIDIARY

CELESTICA INTERNATIONAL INC.

By: /s/ Paul Nicoletti
Name:
Title:

By: _____
Name:
Title:

**CANADIAN IMPERIAL BANK OF
COMMERCE,
as Administrative Agent**

By: /s/ Marc St-Onge
Name: Marc St-Onge
Title: Executive Director

By: /s/ Warren Lobo
Name: Warren Lobo
Title: Director

**Signature Page for Canadian Imperial Bank of Commerce, as
Lender**

**CANADIAN IMPERIAL BANK OF
COMMERCE**

By: /s/ Steve Nishimura
Name: Steve Nishimura
Title: Managing Director

By: /s/ Marc St-Onge
Name: Marc St-Onge
Title: Executive Director

BANK OF AMERICA N.A., CANADA BRANCH

By: /s/ Nelson Lam
Name: Nelson Lam
Title: Vice President

By: _____
Name:
Title:

Signature Page for Royal Bank of Canada, as Lender

ROYAL BANK OF CANADA

By: /s/ Noel V. Curran
Name: Noel V. Curran
Title: Attorney-in-fact

By: _____
Name:
Title:

Signature Page for Export Development Canada, as Lender

EXPORT DEVELOPMENT CANADA

By: /s/ Brian [ILLEGIBLE]
Name: Brian [ILLEGIBLE]
Title: Financing Manager

By: /s/ Stephano Carrera
Name: Stephano Carrera
Title: Financing Manager

Signature Page for Deutsche Bank AG, Canada Branch, as Lender

DEUTSCHE BANK AG, CANADA BRANCH

By: [ILLEGIBLE]
Name:
Title:

By: /s/ Marcellus Leung
Name: Marcellus Leung
Title: Assistant Vice President

Signature Page for Citibank N.A., Canadian Branch, as Lender

CITIBANK N.A., CANADIAN BRANCH

By: /s/ Daljeet Lamba
Name: Daljeet Lamba
Title:

By: _____

Name:
Title:

Signature Page for Bank of Montreal, as Lender

BANK OF MONTREAL

By: /s/ Sean P. Gallaway
Name: Sean P. Gallaway
Title: Vice President

By: _____
Name:
Title:

SCHEDULE A

LENDERS

CANADIAN IMPERIAL BANK OF COMMERCE

161 Bay Street
8th Floor
Toronto, ON M5J 2S8

Attn.: Steve Nishimura
Tel: (416) 956-3837
Fax: (416) 956-3816

Attn.: Marc St-Onge
Tel: (416) 594-8173
Fax: (416) 956-3816

BANK OF AMERICA, N.A., CANADA BRANCH

200 Front Street West
Suite 2700
Toronto, ON M5V 3L2

Attn.: Nelson Lam, Vice President
Tel: (416) 349-5496
Fax: (416)349-4282

backup for Nelson Lam:

Attn.: Medina Sales de Andrade, Vice President
Tel: (416) 349-5433
Fax: (416) 349-4282

with a copy to:

Bank of America N.A.
315 Montgomery Street, 6th Floor
CA5-704-06-37
San Francisco CA 94104

Attn.: Ms. Sugeet Manchanda Madan, Senior Vice President
Tel: (415) 953-8090
Fax: (415) 622-4057

ROYAL BANK OF CANADA

Royal Bank of Canada
200 Bay Street
4th Floor, South Tower
Royal Bank Plaza
Toronto, ON M5J 2W7

Attn.: Noel Curran
Tel: (416) 842-3759
Fax: (416) 842-5320

with a copy to:

Royal Bank of Canada
One Liberty Plaza
165 Broadway
New York, NY 10006

Attn: Suzanne Kaicher
Tel: (212) 428-6324
Fax: (212) 428-2319

EXPORT DEVELOPMENT CANADA

151 O'Connor
Ottawa, ON, K1A 1K3

Attn.: Loans Services
Tel: (613) 598-2789
Fax: (613) 598-2514

Attn.: Asset Management
Tel: (613) 597-8653
Fax: (613) 597-3186

2

DEUTSCHE BANK AG, CANADA BRANCH

199 Bay Street
Suite 4700
Toronto, ON M5L 1E9

Attn.: Robert A. Johnston, Vice President
Tel: (416) 682-8151
Fax: (416) 915-7166

CITIBANK N.A., CANADIAN BRANCH

Citibank Place – 123 Front Street West
Toronto, ON M5J 2M3

Attn.: John Hastings, Managing Director
Tel: (416) 947-2947
Fax: (416) 915-6289

Attn.: Daljeet Lamba, Director
Tel: (416) 947-2937
Fax: (416) 915-6292

BANK OF MONTREAL

1 First Canadian Place, 4th Floor
Toronto, ON M5X 1H3

Attn.: Sean P. Gallaway, Vice President
Tel: (416) 359-6830
Fax: (416) 359-7796

3

SCHEDULE B

LENDERS' COMMITMENTS

| | | | |
|----|--------------------------------------|--------|------------|
| 1. | Canadian Imperial Bank of Commerce | U.S.\$ | 46,000,000 |
| 2. | Bank of America, N.A., Canada Branch | U.S.\$ | 46,000,000 |
| 3. | Royal Bank of Canada | U.S.\$ | 46,000,000 |
| 4. | Export Development Canada | U.S.\$ | 46,000,000 |
| 5. | Deutsche Bank AG, Canada Branch | U.S.\$ | 46,000,000 |
| 6. | Citibank N.A., Canadian Branch | U.S.\$ | 46,000,000 |

| | | | |
|--------|------------------|--------|-------------|
| 7. | Bank of Montreal | U.S.\$ | 24,000,000 |
| Total: | | U.S.\$ | 300,000,000 |

SCHEDULE C

APPLICABLE MARGIN, FACILITY FEE, UTILIZATION FEE AND LC FEE

| | <u>LEVEL I</u> | <u>LEVEL II</u> | <u>LEVEL III</u> | <u>LEVEL IV(1)</u> | <u>LEVEL V</u> | <u>LEVEL VI</u> |
|--|----------------|-----------------|------------------|--------------------|----------------|-----------------|
| Debt Rating(2) | BBB-/Baa3 | BB+/Ba1 | BB/Ba2 | BB-/Ba3 | B+/B1 | B/B2 |
| Utilization Fee(3) | 25.0 bps | 25.0 bps | 25.0 bps | 25.0 bps | 25.0 bps | 25.0 bps |
| LIBOR/BA Applicable Margin(4)/LC Fee | 95.0 bps | 125.0 bps | 127.5 bps | 160.0 bps | 200.0 bps | 250.0 bps |
| Prime/Base Rate Canada Applicable Margin | 0.0 bps | 25.0 bps | 27.5 bps | 60.0 bps | 100.0 bps | 150.0 bps |
| Facility Fee(5) | 17.5 bps | 25.0 bps | 35.0 bps | 40.0 bps | 50.0 bps | 50.0 bps |

- (1) Level IV will apply at Closing.
- (2) Debt Rating for the purposes of this pricing grid will be CLS's issuer rating. In the event of a split rating, the higher rating shall apply. If, however, there are two or more gradations between ratings, the rating one level below the higher rating shall apply.
- (3) Utilization Fee is payable on the aggregate principal amount of all outstanding Advances for each day during the relevant period on which the aggregate principal amount of all outstanding advances exceeds 50% of the aggregate Commitments (after giving effect to any cancellation, reduction or increase pursuant to Section 2.7).
- (4) "Applicable Margin" expressed as basis points per annum.
- (5) Facility Fee is payable on the aggregate Commitments (after giving effect to any cancellation, reduction or increase pursuant to Section 2.7) regardless of usage and shall be calculated in accordance with Section 2.14(a).

SCHEDULE D

QUARTERLY CERTIFICATE ON COVENANTS

Reference is made to the fourth amended and restated revolving term credit agreement made as of April 12, 2007 (together with all amendments, modifications, supplements and restatements, if any, from time to time made thereto, the "Credit Agreement") among Celestica Inc. ("Celestica"), the subsidiaries of Celestica designated in the Credit Agreement, the financial institutions named in Schedule "A" to the Credit Agreement (the "Lenders"), and Canadian Imperial Bank of Commerce, as Administrative Agent. Unless otherwise defined herein or the context otherwise requires, capitalized terms used herein which are defined in the Credit Agreement have the respective meanings provided in the Credit Agreement.

The undersigned, [name] in my capacity as [designated officer] of Celestica and not personally, after making due enquiry, hereby certify to the Administrative Agent and to each of the Lenders that the following is true and correct as of the date hereof:

1. Celestica is in compliance with the covenants set forth in Article 9 of the Credit Agreement.
2. As of _____, the date of the last day of the most recent fiscal quarter (the "Quarter End Date") [no Default or Event of Default has occurred and is continuing] or [specify such non-compliance or Default or Event of Default and state what action, if any Celestica is taking or causing to be taken in connection therewith].
3. EBITDA of Celestica as at the Quarter End Date is U.S.\$ _____, calculated in accordance with the Credit Agreement, such calculation summarized in Exhibit 1 attached hereto. The Interest Expense of Celestica for the four fiscal quarters ended as at the Quarter End Date is U.S.\$ _____, calculated in accordance with the Credit Agreement. The Ratio of EBITDA to Interest Expense is _____.
4. The Gross Funded Debt of Celestica for the four fiscal quarters as at the Quarter End Date is U.S.\$ _____, calculated in accordance with the Credit Agreement, such calculation summarized in Exhibit 2 attached hereto.
5. The ratio of Gross Funded Debt to EBITDA as at the Quarter End Date is _____.
6. Attached as Exhibit 3 is a calculation of the available disposition allowance referred to in Section 9.2(b)(vii) as at the Quarter End Date.
7. Attached as Exhibit 4 is a list of all Material Restricted Subsidiaries as at the Quarter End Date.
8. Attached as Exhibit 5 is a list of all Grantors as at the Quarter End Date.
9. The unconsolidated assets of all Restricted Subsidiaries which are not Material Restricted Subsidiaries do not, or will not, after giving effect to the Guarantees delivered by the Restricted Subsidiaries listed in Exhibit 6, exceed ten per cent (10%) of the unconsolidated assets of the Borrowers and the Restricted Subsidiaries on the date referenced in the most recently delivered set of financial statements delivered pursuant to Section 9.1(a)(i).

Name: _____
 Title: _____

EXHIBIT 1

EBITDA

| | | |
|----|---|-----------|
| 1. | Net Income for such period | \$ |
| 2. | All amounts deducted in the calculation of Net Income in respect of Taxes, whether paid or deferred (in accordance with GAAP) | \$ |
| 3. | All amounts deducted in the calculation of Net Income in respect of depreciation | \$ |
| 4. | All amounts deducted in the calculation of Net Income in respect of amortization | \$ |
| 5. | All amounts deducted in the calculation of Net Income in respect of Interest Expense, other than the implicit financing costs of synthetic leases | \$ |
| 6. | All amounts deducted in the calculation of Net Income in determining all non-recurring charges | \$ |
| 7. | Non-cash charges and purchase accounting deductions | \$ |
| | EBITDA | \$ |

EXHIBIT 2

Gross Funded Debt

The sum of:

| | | |
|----|---|-----------|
| 1. | Outstanding monetary Obligations | \$ |
| 2. | Outstanding Capital Lease Obligations | \$ |
| 3. | Other obligations for borrowed money (including, without limitation and without duplication, all obligations (contingent or otherwise) in respect of bankers' acceptances and letters of credit) outstanding at such time but excluding Permitted Subordinated Indebtedness which, in accordance with GAAP, qualifies as equity [Note: Provide detailed breakdown of such obligations and Permitted Subordinated Indebtedness.] | \$ |
| 4. | Outstanding Acquired Indebtedness | \$ |
| 5. | Contingent liabilities of Celestica or any Restricted Subsidiary of the type referred to in 1 to 3 above. | \$ |
| | Gross Funded Debt | \$ |

EXHIBIT 3

Calculation of Available Disposition Allowance Pursuant to Section 9.2(b)(vii)

EXHIBIT 4

List of Material Restricted Subsidiaries

EXHIBIT 5

List of Grantors

EXHIBIT 6

List of Guarantees Delivered by Restricted Subsidiaries

SCHEDULE E

CONVERSION NOTICE

TO: Canadian Imperial Bank of Commerce
161 Bay Street
BCE Place, 8th Floor
Toronto, Ontario M5J 2S8

Attention: Director, Agency

Dear Sirs & Mesdames:

This Conversion Notice is delivered to you pursuant to Section 2.15 of the fourth amended and restated revolving term credit agreement made as of April 12, 2007 (together with all amendments, modifications, supplements and restatements, if any, from time to time made thereto, the "Credit Agreement") among Celestica Inc. ("Celestica"), the subsidiaries designated in the Credit Agreement, the financial institutions named in Schedule "A" to the Credit Agreement (the "Lenders"), and Canadian Imperial Bank of Commerce as Administrative Agent. Unless otherwise defined herein or the context otherwise requires capitalized terms used herein which are defined in the Credit Agreement have the respective meanings provided in the Credit Agreement.

The undersigned hereby requests that on 1, 1,

1. [currency \$] 1 of the presently outstanding principal amount of the Advance originally made on 1, 1 [and [currency \$] 1 of the presently outstanding principal amount of the Advance originally made on 1, 1]
2. and all presently being maintained as [Prime Rate Advance], [Bankers' Acceptance Advance], [LIBOR Advance] or [Base Rate Canada Advance]
3. be converted into
4. [Prime Rate Advance], [Bankers' Acceptance Advance having a maturity date of 1], [LIBOR Advance with an Interest Period ending 1 in United States Dollars or [Base Rate Canada Advance], in accordance with the provisions of the Credit Agreement.

The undersigned hereby:

(a) certifies and warrants, for itself and on behalf of all other Borrowers, that no Event of Default has occurred and is continuing and that on the occurrence of such Advances, the representations set out in Section 8.1 of the Credit Agreement are true and correct in all material respects; and

(b) agrees that if prior to the time of such conversion any matter certified to herein by it will not be true and correct at such time as if then made, it will immediately so notify the Administrative Agent.

Except to the extent, if any, that prior to the time of the conversion requested hereby the Administrative Agent shall receive written notice to the contrary from the undersigned, each matter certified to herein shall be deemed to be certified at the date of such conversion as if then made.

The undersigned has caused this Conversion Notice to be executed and delivered, and the certification and warranties contained herein to be made, by its authorized officer this day of , 20 .

**[CELESTICA INC. OR ANY
DESIGNATED SUBSIDIARY]**

By: _____
Name:
Title:

SCHEDULE F

DESIGNATED SUBSIDIARY AGREEMENT

THIS DESIGNATED SUBSIDIARY AGREEMENT made as of .

AMONG:

CELESTICA INC.
(the "Designated Borrower")

- and -

[NAME OF SUBSIDIARY]

CANADIAN IMPERIAL BANK OF COMMERCE,
(the "Agent") as Administrative Agent

For value received the undersigned agree as follows:

1. Reference is hereby made to Section 7.1 of the fourth amended and restated revolving term credit agreement made as of April 12, 2007 (together with all amendments, modifications, supplements and restatements, if any, from time to time made thereto, the "Credit Agreement") among Celestica Inc. ("Celestica"), the subsidiaries designated in the Credit Agreement, the financial institutions named in Schedule "A" to the Credit Agreement (the "Lenders"), and Canadian Imperial Bank of Commerce, as Administrative Agent. Unless otherwise defined herein or the context otherwise requires capitalized terms used herein which are defined in the Credit Agreement have the respective meanings provided in the Credit Agreement.
2. (a) The Designated Subsidiary hereby acknowledges, confirms and agrees that on and as of the date of this Agreement the Designated Subsidiary has become a Designated Subsidiary and is included in the definition of "Borrower" under the Credit Agreement and the other Loan Documents for all purposes thereof, and as such shall be severally liable, as provided in the Loan Documents, for all of its Obligations thereunder (whether incurred or arising prior to, on, or subsequent to the date hereof) and otherwise bound by all of the terms, provisions and conditions thereof.

(b) Without in any way implying any limitation on any of the provisions of this Agreement, the Designated Subsidiary, for itself and on behalf of all other Borrowers, hereby represents and warrants that all of the representations and warranties contained in the Credit Agreement are true and correct in all material respects on and as of the date hereof, both before and after giving effect to this Agreement, and that no Event of Default or Default has occurred and is continuing or exists or would occur or exist after giving effect to this Agreement.

(c) Without in any way implying any limitation on any of the provisions of this Agreement, the Designated Subsidiary, for itself and on behalf of all other Borrowers, hereby represents and warrants that each of the Designated Borrower and the Designated Subsidiary are, on and as of the date hereof, both before and after giving effect to this Agreement, in compliance in all material respects with all of the covenants, other than the financial covenants set out in Section 9.3 of the Credit Agreement.

3. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein and shall be treated in all respects as an Ontario contract.
4. This Agreement shall enure to the benefit of and be binding upon the respective successors and assigns of each of the parties hereto.
5. Each party agrees to make and do all such acts and things and execute and deliver all such instruments, agreements and documents as may be reasonably required from time to time by the other parties hereto to more fully implement the true intent of this Agreement.
6. Each of the parties hereby irrevocably submits to the non-exclusive jurisdiction of any court in the Province of Ontario for the purposes of any legal or equitable suit, action or proceeding in connection with this Agreement.
7. If any term, covenant, obligation or agreement contained in this Agreement, or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Agreement or the application of such term, covenant, obligation or agreement to persons or circumstances other than those held to be invalid or unenforceable, shall not be affected thereby and each term, covenant, obligation or agreement herein contained shall be separately valid and enforceable to the fullest extent permitted by law.

WITNESS the due execution hereof as of the day and year first written above.

CELESTICA INC.

By: _____
Name:
Title:

By: _____
Name:
Title:

[Designated Subsidiary]

By: _____
Name:
Title:

By: _____
Name:
Title:

**CANADIAN IMPERIAL BANK OF
COMMERCE, as Administrative Agent**

By: _____

Name:
Title:

By:

Name:
Title:

SCHEDULE G

Exhibit 1

DRAWDOWN NOTICE

TO: Canadian Imperial Bank of Commerce, as Administrative Agent
161 Bay Street
BCE Place, 8th Floor
Toronto, Ontario M5J 2S8

Attention: Director, Agency

Dear Sirs & Mesdames:

This Drawdown Notice is delivered to you pursuant to Section 2.3 of the fourth amended and restated revolving term credit agreement made as of April 12, 2007 (together with all amendments, modifications, supplements and restatements, if any, from time to time made thereto, the "Credit Agreement") among Celestica Inc. ("Celestica"), the subsidiaries designated in the Credit Agreement, the financial institutions named in Schedule "A" to the Credit Agreement (the "Lenders"), and Canadian Imperial Bank of Commerce, as Administrative Agent. Unless otherwise defined herein or the context otherwise requires capitalized terms used herein which are defined in the Credit Agreement have the respective meanings provided in the Credit Agreement.

The undersigned hereby requests that a **[Prime Rate Advance] [Bankers' Acceptance Advance] [Base Rate Canada Advance] or [LIBOR Advance]** be made in the aggregate principal amount of **[specify currency]** on 1, 1 as a **[LIBOR Advance having an Interest Period of 1 months] [Bankers' Acceptance having a term of 1 days] [Prime Rate Advance] or [Base Rate Canada Advance]**.

The undersigned hereby acknowledges that, pursuant to Section 8.3 of the Credit Agreement, the delivery of this Drawdown Notice and the acceptance by the undersigned of the proceeds of the Advances requested hereby, constitutes a representation and warranty by the undersigned, for itself and on behalf of all other Borrowers, that on the occurrence of such Advances the representations set out in Section 8.1 of the Credit Agreement are true and correct in all material respects.

The undersigned agrees that if prior to the time of the Drawdown requested hereby any matter certified to herein by it will not be true and correct at such time as if then made, it will immediately so notify the Administrative Agent. Except to the extent, if any, that prior to the time of the Drawdown requested hereby the Administrative Agent shall receive written notice to the contrary from the undersigned, each matter certified to herein shall be deemed once again to be certified as true and correct at the date of such Drawdown as if then made.

Please wire transfer the proceeds of the Drawdown to the accounts of the following persons at the financial institutions indicated respectively:

| <u>Amount to be Transferred</u> | <u>Name of Person to be paid</u> | <u>Designated Account No.</u> | <u>Name, Address, etc. of Transferee</u> |
|---|----------------------------------|-------------------------------|--|
| [Cdn./U.S.]\$1 | | | Attention: |
| [Cdn./U.S.]\$1 | | | Attention: |
| Balance of the undersigned of such proceeds | | | Attention: |

The undersigned has caused this Drawdown Notice to be executed and delivered, and the certification and warranties contained herein to be made, by its duly authorized officer this day of , 20 .

[CELESTICA INC. OR ANY DESIGNATED SUBSIDIARY]

By:

Name:
Title:

By:

Name:
Title:

NOTICE OF SWING LINE BORROWING

TO: Canadian Imperial Bank of Commerce, as Administrative Agent
161 Bay Street
BCE Place, 8th Floor
Toronto, Ontario M5J 2S8

Attention: Director, Agency

Dear Sirs & Mesdames:

This Notice of Swing Line Borrowing is delivered to you pursuant to Section 2.22(e) of the fourth amended and restated revolving term credit agreement made as of April 12, 2007 (together with all amendments, modifications, supplements and restatements, if any, from time to time made thereto, the "Credit Agreement") among Celestica Inc. ("Celestica"), the subsidiaries designated in the Credit Agreement, the financial institutions named in Schedule "A" to the Credit Agreement (the "Lenders"), and Canadian Imperial Bank of Commerce, as Administrative Agent. Unless otherwise defined herein or the context otherwise requires capitalized terms used herein which are defined in the Credit Agreement have the respective meanings provided in the Credit Agreement.

The undersigned hereby requests that a [Canadian Swing Line Advance], [U.S. Swing Line Advance] be made in the principal amount of [Cdn. \$/U.S. \$] [specify amount].

The undersigned hereby acknowledges that, pursuant to Section 8.3 of the Credit Agreement, the delivery of this Notice of Swing Line Borrowing and the acceptance by the undersigned of the proceeds of the Advance requested hereby constitutes a representation and warranty by the undersigned, for itself and on behalf of all other Borrowers, that on the occurrence of such Advance the representations set out in Section 8.1 of the Credit Agreement are true and correct in all material respects.

The undersigned agrees that if prior to the time of the Drawdown requested hereby any matter certified to herein by it will not be true and correct at such time as if then made, it will immediately so notify the Administrative Agent. Except to the extent, if any, that prior to the time of the Drawdown requested hereby the Administrative Agent shall receive written notice to the contrary from the undersigned, each matter certified to herein shall be deemed once again to be certified as true and correct at the date of such Drawdown as if then made.

Please make the proceeds of the Drawdown available to the following account(s) of the undersigned:

Table with 2 columns: Amount of Drawdown, Designated Account No. Includes rows for [Cdn./U.S. \$] and Attention:

The undersigned has caused this Notice of Swing Line Borrowing to be executed and delivered, and the certification and warranties contained herein to be made, by its duly authorized officer this day of , 20 .

[CELESTICA INC. OR ANY DESIGNATED SUBSIDIARY]

By: Name: Title:
By: Name: Title:

SCHEDULE H

GUARANTEES

- Exhibit 1 - Canadian Upstream Guarantee
Exhibit 2 - Canadian Downstream Guarantee

TO: **CANADIAN IMPERIAL BANK OF COMMERCE**, as Administrative Agent for and on behalf of (a) the Lenders, as defined below; and (b) the Hedge Lenders, as defined in the Credit Agreement described below.

FOR VALUE RECEIVED and in consideration of advances made or to be made, or credit given or to be given, or other financial accommodation afforded or to be afforded from time to time to Celestica Inc. (the "Debtor") by the Lenders under a fourth amended and restated revolving term credit agreement made as of April 12, 2007 (together with all amendments, modifications, supplements and restatements, if any, from time to time made thereto, the "Credit Agreement") among the Debtor, the subsidiaries designated in the Credit Agreement, Canadian Imperial Bank of Commerce in its capacity as administrative agent (the "Administrative Agent"), and the financial institutions named in Schedule "A" to the Credit Agreement (the "Lenders"), the undersigned (the "Guarantor") hereby agrees and covenants that:

1. The Guarantor hereby unconditionally and irrevocably guarantees to the Administrative Agent, for the benefit of (a) the Lenders and their respective successors and permitted assigns (as permitted under the Credit Agreement and hereafter, the "Permitted Assigns"); and (b) the Hedge Lenders and their respective successors, the full and prompt payment to the Administrative Agent (for the benefit of the Lenders and their respective successors and Permitted Assigns and the Hedge Lenders and their respective successors) of: (i) all of the monetary Obligations of the Debtor, including those monetary obligations arising under or in connection with the guarantee of the Debtor dated April 22, 1999, as confirmed, in favour of the Administrative Agent of the obligations of the Designated Subsidiaries (such guarantee of the Debtor aforesaid, together with all amendments, replacements, restatements, extensions, renewals or supplements thereto, the "Designated Subsidiary Guarantee"); and (ii) all of the Eligible Hedging Obligations of the Debtor (such obligations described in the foregoing (i) and (ii), collectively, the "Debtor Obligations")
 2. Except as otherwise provided in Sections 3 and 8, the Guarantor hereby waives notice of demand for payment of all or any part of the Debtor Obligations, protest, notice of protest and notice of default to the Guarantor or any other party with respect to the Debtor Obligations, any right that the Guarantor may have to require that an action be brought
-
- (6) Form of Guarantee to be provided by Canadian Material Restricted Subsidiaries and Grantors. Guarantees to be provided by other Material Restricted Subsidiaries and Grantors to be substantially in the same form with such changes thereto as agreed upon by Lenders' Counsel and Borrowers' Counsel; provided that in the event that a Grantor is not a Material Restricted Subsidiary, the recourse of the Administrative Agent pursuant to the guarantee granted by such Grantor shall be limited to enforcement of the Security, and the Administrative Agent shall have no right to sue such Grantor on the covenant of such guarantee, except to the extent necessary in connection with the enforcement of the Security.

against the Debtor or any other person or that the Administrative Agent realize on any security that it may hold as a condition of the Guarantor's liability hereunder, and any and all other notices and legal or equitable defences to which the Guarantor may be entitled.

3. The Guarantor shall unconditionally render any payment guaranteed hereunder upon written demand made upon it by the Administrative Agent in accordance with the terms hereof, if the Debtor does not punctually make such payment.
4. The liability of the Guarantor hereunder shall in no way be affected or impaired by (and the Administrative Agent is hereby expressly authorized to make from time to time, without notice to anyone unless required by the Credit Agreement, the Designated Subsidiary Guarantee, any other Loan Document or any Eligible Hedging Agreement, as applicable) any sale, pledge, surrender, compromise, settlement, release, renewal, extension, indulgence, alteration, substitution, exchange, change in, modification or other disposition of any of the Debtor Obligations, either express or implied, or of any contract or contracts evidencing any thereof, or of any security or collateral therefor. The liability of the Guarantor hereunder shall also in no way be affected or impaired by any acceptance by the Administrative Agent, any Lender or any Hedge Lender of any security for or other guarantee of any of the Debtor Obligations, or by any failure, neglect or omission on the part of the Administrative Agent to realize upon or protect any of the Debtor Obligations, or any collateral or security or other guarantee therefor, or to exercise any lien upon or right of appropriation of any moneys, credits or property of the Debtor possessed by the Administrative Agent toward the liquidation of the Debtor Obligations, or by any application of payments or credits thereon. Subject to the terms of the Credit Agreement, the Administrative Agent shall have the exclusive right to determine how, when and what application of payments and credits, if any, shall be made on the Debtor Obligations, or any part thereof. There shall be no obligation on the part of the Administrative Agent, at any time, to resort for payment to the Debtor or to any other guarantor, or to any other person or corporation, their properties or estate, or resort to any collateral, security, property, liens or other rights or remedies whatsoever and the Administrative Agent shall have the right to enforce this Guarantee irrespective of whether or not other proceedings or steps are pending seeking resort to or realization upon or from any of the foregoing.
5. Except as provided in the Credit Agreement, nothing but payment in full of the Debtor Obligations shall release the Guarantor from its obligations hereunder.
6. The Guarantor hereby represents and warrants to each of the Lenders and the Hedge Lenders that the representations and warranties contained in Article 8 of the Credit Agreement, insofar as the representations and warranties contained therein are applicable to such Guarantor and its properties, are true and correct in all material respects, each such representation and warranty set forth in such Article (insofar as applicable as aforesaid) and all other terms of the Credit Agreement to which reference is made therein, together with all related definitions and ancillary provisions, being hereby incorporated into this Guarantee by reference as though specifically set forth in this Section, and all such representations and warranties shall, for purposes hereof, survive the execution and delivery of this Guarantee.

7. The Guarantor covenants and agrees that the Guarantor will perform, comply with and be bound by all of the agreements, covenants and obligations contained in Sections 9.1 and 9.2 of the Credit Agreement or in any other document that is applicable to it in connection with the Credit Agreement. Each such agreement, covenant and obligation contained in such Sections, and all other terms of the Credit Agreement and the documents to which reference is made therein, together with all related definitions and ancillary provisions are hereby incorporated into this Guarantee by reference as though specifically set forth in this Guarantee.
8. The Administrative Agent may make demand in writing to the Guarantor, from time to time, each such written demand to be accepted by the Guarantor as complete and satisfactory evidence of any default by the Debtor and the extent thereof, and of the obligations of the Guarantor to make a payment hereunder and the amount thereof.
9. Every notice, consent, demand and other communication in connection with this Guarantee and all legal process in regard hereto shall be validly given, made or served if in writing and delivered to, or mailed, postage prepaid or telecopied to the Guarantor at 12 Concorde Place, 7th Floor, Toronto, Ontario, M3C 3R8 (Fax No. (416) 448-2280), and to the Administrative Agent at 161 Bay Street, BCE Place, 8th Floor, Toronto, Ontario, M5J 2S8 (Fax No. (416) 956-3830). Every notice, consent, demand and other communication, if delivered on a Banking Day, and if delivered prior to 3:00 p.m. (local time) on such Banking Day, shall be deemed to have been given or made on the day on which it was delivered, and otherwise on the next following Banking Day, and if sent by facsimile shall be deemed to have been given or made on the Banking Day next following the Banking Day on which it was so sent, and if mailed shall be deemed to have been given or made on the fifth Banking Day following the day on which it was so mailed. The Guarantor or the Administrative Agent may give written notice of a change of address in the same manner in which case any notice shall thereafter be given to it as above provided at such changed address.
10. In the event of the bankruptcy, winding-up, liquidation or dissolution of the Debtor, the Guarantor or of any other guarantor, or in the event of the distribution of the assets of the Debtor, the Guarantor or of any other guarantor, the rights of the Administrative Agent shall not be affected or impaired by its omission to prove its

claim or to prove its full claim and it may prove such claim as it sees fit and may refrain from proving any claim; and the Administrative Agent shall be entitled to receive all amounts payable in respect thereof, such amounts to be applied, subject to the terms of the Credit Agreement, on such part or parts of the monies payable from time to time on account of the Debtor Obligations as the Administrative Agent shall in its absolute discretion see fit until the whole of the same shall have been paid in full and thereafter the Guarantor shall be entitled to the balance, if any, of such amounts; all of which the Administrative Agent may do without in any way releasing, reducing or otherwise affecting the Guarantor's liability to the Administrative Agent hereunder.

11. On the occurrence and during the continuance of a Default under the Credit Agreement, all of the Debtor Obligations then existing shall, at the option of the Administrative Agent, immediately become payable by the Guarantor and, during such continuance, all dividends or other payments received from the Debtor, or on account of the Debtor from whatsoever source, (and which if received by the Guarantor, shall be held in trust by the

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Guarantor for the Administrative Agent for and on behalf of the Lenders and the Hedge Lenders) shall be taken and applied as payment in gross, and this Guarantee shall apply to and secure any ultimate balance that shall remain owing to the Administrative Agent for and on behalf of the Lenders and the Hedge Lenders.

12. Upon the occurrence and during the continuance of a Default, all debts and claims against the Debtor now or hereafter held by the Guarantor and all rights of subrogation of the Guarantor shall be for the security of the Administrative Agent, for and on behalf of the Lenders and the Hedge Lenders, and, as between the Guarantor and the Administrative Agent, for and on behalf of the Lenders and the Hedge Lenders, the same are hereby postponed to the repayment and performance of the Debtor Obligations. Upon the occurrence and during the continuance of a Default, until all of the Debtor Obligations shall have been paid in full, any money received by the Guarantor in respect of any such debts or claims shall be received by the Guarantor in trust for the Administrative Agent, for and on behalf of the Lenders and the Hedge Lenders, and shall be paid forthwith to the Administrative Agent, for and on behalf of the Lenders and the Hedge Lenders, to be applied against, or held as security for, payment of the Debtor Obligations, all without prejudice to and without in any way affecting, relieving, limiting or lessening the liability of the Guarantor hereunder.
13. The Guarantor acknowledges that it shall not have any rights of subrogation or indemnification and shall not prove a claim in the bankruptcy of the Debtor unless and until the Debtor Obligations are paid in full.
14. The Guarantor's obligations shall be continuing, absolute, unconditional and irrevocable and binding upon the Guarantor irrespective of: the enforceability, unenforceability, validity, perfection and effect of perfection or non-perfection of any security interest securing the Debtor Obligations or the validity or unenforceability of any of the Debtor Obligations; the termination of any Debtor Obligations by operation of law or otherwise; the bankruptcy, insolvency, dissolution or liquidation of the Debtor; or any reorganization of the Debtor or the Guarantor or the amalgamation of the Debtor or the Guarantor with one or more other corporations or the sale of the Debtor's or the Guarantor's business in whole or in part to one or more other persons or parties. In addition to the guarantee contained herein, the Guarantor hereby covenants and agrees to indemnify and save the Administrative Agent, the Lenders and the Hedge Lenders harmless from and against all costs, losses, expenses and damages which any of them may suffer as a result of the default by the Debtor in the payment of any of the Debtor Obligations, including without limitation, legal fees (on a substantial indemnity basis) incurred by or on behalf of the Administrative Agent, the Lenders and the Hedge Lenders resulting from any action instituted on the basis of this Guarantee. The Guarantor acknowledges that it is providing this Guarantee at the request of the Debtor and that it has satisfied itself and is not relying upon the Administrative Agent, any Lender or any Hedge Lender in respect of all or any information with respect to the transaction under or related to the Credit Agreement, this Guarantee, any other Loan Document or any Eligible Hedging Agreement. The Guarantor agrees that the Administrative Agent or any Lender or any Hedge Lender has no obligation to provide or disclose information to the Guarantor with respect to any dealings it has with or in respect of the Debtor at any time or from time to time.

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15. The Administrative Agent is expressly authorized to amend the documents creating or evidencing the Debtor Obligations (including, without limitation, all modifications, extensions, replacements, amendments, renewals, restatements or supplements of or to such documents) and to waive compliance by the Debtor with the terms thereof, without notice to the Guarantor and without in any manner affecting the liability of the Guarantor.
 16. Subject to the terms of the Credit Agreement, the Administrative Agent may apply any moneys received from the Debtor or others, or from the enforcement of security, to such part of the Debtor's liabilities to the Lenders and to the Hedge Lenders, whether or not guaranteed hereby, as it deems appropriate without prejudice to or in any way limiting or reducing the obligations of the Guarantor hereunder.
 17. The Guarantor shall give such further assurances and do, execute and perform all such acts, deeds, documents (including assignments) and things as may be required in the sole and absolute discretion of the Administrative Agent to give the Administrative Agent the full benefit and effect of, or intended by, this Guarantee.
 18. No term, condition or provision hereof or any right hereunder, or in respect thereof, shall be, or shall be deemed to have been waived by the Administrative Agent, except by express written waiver signed by the Administrative Agent, all such waivers to extend only to the particular circumstances therein specified. No agreement or undertaking purporting to amend or modify this Guarantee or any of its terms, conditions or provisions or any rights or liabilities hereunder shall be effective or binding unless in writing and signed by the Administrative Agent.
 19. No action or omission on the part of the Administrative Agent in exercising or failing to exercise its rights hereunder or in connection with or arising from the Debtor Obligations or any part thereof shall make the Administrative Agent, any Lender or any Hedge Lender liable to the Guarantor for any loss thereby occasioned to the Guarantor.
 20. The Lenders may, in accordance with the terms of the Credit Agreement, sell, assign, or transfer all of the Debtor Obligations, or any part thereof, and in that event each and every immediate and successive assignee or transferee, of all or any part of the Debtor Obligations, shall have the right to enforce this Guarantee, by suit or otherwise, for the benefit of such assignee or transferee, as fully as if such assignee or transferee were herein by name specifically given such rights, powers and benefits.
 21. If any payment applied by the Administrative Agent to the Debtor Obligations is thereafter set aside, recovered, rescinded or required to be returned for any reason (including, without limitation, the bankruptcy, insolvency or reorganization of the Debtor or any other obligor), the Debtor Obligations to which such payment was applied shall for the purposes of this Guarantee be deemed to have continued in existence, notwithstanding such application, and this Guarantee shall be enforceable as to such of the Debtor Obligations as fully as if such application had never been made.
 22. This Guarantee is in addition to and not in substitution for any other undertakings, guarantees or security held or which hereafter may be held by or for the benefit of any Administrative Agent, any Lender or any Hedge Lender.

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23. Any provision of this Guarantee prohibited by law or otherwise ineffective shall be ineffective only to the extent of such prohibition or ineffectiveness and be severable without invalidating or otherwise affecting the remaining provisions hereof.
24. All payments to be made by the Guarantor hereunder shall be payable to the Administrative Agent at 161 Bay Street, BCE Place, 8th Floor, Toronto, Ontario, M5J 2S8, Attention: Director, Agency (or at such other place for the account of the Administrative Agent as it may from time to time specify to the Guarantor) in immediately available and freely transferable funds at the place of payment, all such payments to be paid without setoff, counterclaim or reduction and, subject to the terms of the Credit Agreement, without deduction for, and free from, any and all present or future taxes, levies, imposts, duties, fees, charges, deductions, withholding or liabilities with respect thereto or any restrictions or conditions of any nature. Subject to the terms of the Credit Agreement, if the Guarantor is required by law to make any deduction or withholding on account of any tax or other withholding or deduction from any sum payable by the Guarantor hereunder, the Guarantor shall pay any such tax or other withholding or deduction and shall pay such additional amount necessary to ensure that, after making any payment, deduction or withholding, the Administrative Agent shall receive and retain (free of any liability in respect of any payment, deduction or withholding) a net sum equal to what it would have received and so retained hereunder had no such deduction, withholding or payment been required to have been made.
25. The payment by the Guarantor of any amount or amounts due the Administrative Agent hereunder shall be made in the same currency (the "Relevant Currency") and funds in which the underlying Debtor Obligations are payable. To the fullest extent permitted by law, the obligation of the Guarantor in respect of any amount due in the Relevant Currency under this Guarantee shall, notwithstanding any payment in any other currency (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in the Relevant Currency that the Administrative Agent may, in accordance with normal banking procedures, purchase with the sum paid in such other currency (after any premium and costs of exchange) on the Banking Day immediately following the day on which the Administrative Agent receives such payment. If the amount in the Relevant Currency that may be so purchased for any reason falls short of the amount originally due, the Guarantor shall pay such additional amounts, in the Relevant Currency, as may be necessary to compensate for the shortfall. Any obligations of the Guarantor not discharged by such payment shall, to the fullest extent permitted by Applicable Law, be due as a separate and independent obligation and, until discharged as provided herein, shall continue in full force and effect.
26. The Guarantor waives any and all defences, claims and discharges of the Debtor, or any other obligor, pertaining to the Debtor Obligations, except the defense of discharge by payment in full and complete satisfaction of same. The Guarantor agrees that the undersigned shall be and remain liable for any deficiency remaining after foreclosure of any mortgage or security interest securing the Debtor Obligations, whether or not the liability of the Debtor or any other obligor for such deficiency is discharged pursuant to statute or judicial decision.
27. This Guarantee shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. The Guarantor

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agrees that any legal suit, action or proceeding arising out of or relating to this Guarantee may be instituted in the courts of the Province of Ontario and the Guarantor hereby accepts and irrevocably submits to the non-exclusive jurisdiction of the said courts and acknowledges their competence and agrees to be bound by any judgment thereof, provided that nothing herein shall limit the Administrative Agent's right to bring proceedings against the Guarantor elsewhere.

28. This Guarantee shall not be subject to or affected by any promise or condition affecting or limiting the liability of the Guarantor hereunder except as set forth herein, and no statement, representation, agreement or promise on the part of the Administrative Agent or any officer, employee or agent thereof, unless contained herein forms any part of this Guarantee or shall be deemed in any way to affect the Guarantor's liability hereunder.
29. The Guarantor acknowledges that this Guarantee has been delivered free of any conditions.
30. This Guarantee (a) shall extend to and enure to the benefit of (i) the successors and Permitted Assigns of the Administrative Agent and the Lenders, and (ii) the successors of the Hedge Lenders; and (b) shall be binding upon the Guarantor and the successors and assigns of the Guarantor.
31. Any word herein contained importing the singular number shall include the plural and vice versa, and any word importing any gender will include the masculine, feminine, and neuter genders and any word importing a person will include a corporation, a partnership and any other entity.
32. All capitalized terms used and not otherwise defined herein which are defined in the Credit Agreement shall have the respective meanings ascribed to them in the Credit Agreement.

SIGNED and sealed this day of , .

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Per: _____

Name: _____

Title: _____

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**Exhibit 2
Canadian Downstream Guarantee**

GUARANTEE

TO: **CANADIAN IMPERIAL BANK OF COMMERCE**, as Administrative Agent for and on behalf the Lenders, as defined below.

FOR VALUE RECEIVED and in consideration of advances made or to be made, or credit given or to be given, or other financial accommodation afforded or to be afforded from time to time to the Designated Subsidiaries (collectively, the "Debtors") by the Lenders under a fourth amended and restated revolving term credit agreement made as of April 12, 2007 (together with all amendments, modifications, supplements and restatements, if any, from time to time made thereto, the "Credit Agreement") among Celestica Inc. ("Celestica"), the subsidiaries of Celestica Inc. specified in the Credit Agreement as Designated Subsidiaries, Canadian Imperial Bank of Commerce in its capacity as administrative agent (the "Administrative Agent"), and the financial institutions named in Schedule "A" to the Credit Agreement (the "Lenders"), the undersigned (the "Guarantor") in its capacity as guarantor hereby agrees and covenants that:

1. The Guarantor hereby unconditionally and irrevocably guarantees to the Administrative Agent, for the benefit of the Lenders and their respective successors and permitted assigns (as permitted under the Credit Agreement and hereafter, the "Permitted Assigns"), the full and prompt payment to the Administrative Agent, for the

benefit of the Lenders and their respective successors and Permitted Assigns, of all the monetary Obligations of the Debtors (collectively, the "Debtor Obligations").

2. Except as otherwise provided in Sections 3 and 8, the Guarantor hereby waives notice of demand for payment of all or any part of the Debtor Obligations, protest, notice of protest and notice of default to the Guarantor or any other party with respect to the Debtor Obligations, any right that the Guarantor may have to require that an action be brought against any one or more of the Debtors or any other person or that the Administrative Agent realize on any security that it may hold as a condition of the Guarantor's liability hereunder, and any and all other notices and legal or equitable defences to which the Guarantor may be entitled.
3. The Guarantor shall unconditionally render any payment guaranteed hereunder upon written demand made upon it by the Administrative Agent in accordance with the terms hereof, if any one or more of the Debtors do not punctually make such payment.
4. The liability of the Guarantor hereunder shall in no way be affected or impaired by (and the Administrative Agent is hereby expressly authorized to make from time to time, without notice to anyone unless required by the Credit Agreement) any sale, pledge, surrender, compromise, settlement, release, renewal, extension, indulgence, alteration, substitution, exchange, change in, modification or other disposition of any of the Debtor Obligations, either express or implied, or of any contract or contracts evidencing any thereof, or of any security or collateral therefor. The liability of the Guarantor hereunder shall also in no way be affected or impaired by any acceptance by the Administrative Agent or any Lender of any security for or other guarantee of any of the Debtor Obligations, or by any failure, neglect or omission on the part of the Administrative

Agent to realize upon or protect any of the Debtor Obligations, or any collateral or security or other guarantee therefor, or to exercise any lien upon or right of appropriation of any moneys, credits or property of any one or more of the Debtors possessed by the Administrative Agent toward the liquidation of the Debtor Obligations, or by any application of payments or credits thereon. Subject to the terms of the Credit Agreement, the Administrative Agent shall have the exclusive right to determine how, when and what application of payments and credits, if any, shall be made on the Debtor Obligations, or any part thereof. There shall be no obligation on the part of the Administrative Agent, at any time, to resort for payment to any one or more of the Debtors or to any other guarantor, or to any other person or corporation, their properties or estate, or resort to any collateral, security, property, liens or other rights or remedies whatsoever and the Administrative Agent shall have the right to enforce this Guarantee irrespective of whether or not other proceedings or steps are pending seeking resort to or realization upon or from any of the foregoing.

5. Except as provided in the Credit Agreement, nothing but payment in full of the Debtor Obligations shall release the Guarantor from its obligations hereunder.
6. The Guarantor hereby represents and warrants to each of the Lenders that the representations and warranties contained in Article 8 of the Credit Agreement, insofar as the representations and warranties contained therein are applicable to such Guarantor and its properties, are true and correct in all material respects, each such representation and warranty set forth in such Article (insofar as applicable as aforesaid) and all other terms of the Credit Agreement to which reference is made therein, together with all related definitions and ancillary provisions, being hereby incorporated into this Guarantee by reference as though specifically set forth in this Section, and all such representations and warranties shall, for purposes hereof, survive the execution and delivery of this Guarantee.
7. The Guarantor covenants and agrees that the Guarantor will perform, comply with and be bound by all of the agreements, covenants and obligations contained in Sections 9.1 and 9.2 of the Credit Agreement or in any other document that is applicable to it in connection with the Credit Agreement. Each such agreement, covenant and obligation contained in such Sections, and all other terms of the Credit Agreement and the documents to which reference is made therein, together with all related definitions and ancillary provisions are hereby incorporated into this Guarantee by reference as though specifically set forth in this Guarantee.
8. The Administrative Agent may make demand in writing to the Guarantor, from time to time, each such written demand to be accepted by the Guarantor as complete and satisfactory evidence of any default by the Debtors and the extent thereof, and of the obligations of the Guarantor to make a payment hereunder and the amount thereof.
9. Every notice, consent, demand and other communication in connection with this Guarantee and all legal process in regard hereto shall be validly given, made or served if in writing and delivered to, or mailed, postage prepaid or telecopied to the Guarantor at 12 Concorde Place, 7th Floor, Toronto, Ontario, M3C 3R8 (Fax No. (416) 416-448-2280), and to the Administrative Agent at 161 Bay Street, BCE Place, 8th Floor, Toronto, Ontario, M5J 2S8 (Fax No. (416) 956-3830). Every notice, consent, demand and other

communication, if delivered on a Banking Day, and if delivered prior to 3:00 p.m. (local time) on such Banking Day, shall be deemed to have been given or made on the day on which it was delivered, and otherwise on the next following Banking Day, and if sent by facsimile shall be deemed to have been given or made on the Banking Day next following the Banking Day on which it was so sent, and if mailed shall be deemed to have been given or made on the fifth Banking Day following the day on which it was so mailed. The Guarantor or the Administrative Agent may give written notice of a change of address in the same manner in which case any notice shall thereafter be given to it as above provided at such changed address.

10. In the event of the bankruptcy, winding-up, liquidation or dissolution of any one or more of the Debtors, the Guarantor or of any other guarantor, or in the event of the distribution of the assets of any one or more of the Debtors, the Guarantor or of any other guarantor, the rights of the Administrative Agent shall not be affected or impaired by its omission to prove its claim or to prove its full claim and it may prove such claim as it sees fit and may refrain from proving any claim; and the Administrative Agent shall be entitled to receive all amounts payable in respect thereof, such amounts to be applied, subject to the terms of the Credit Agreement, on such part or parts of the monies payable from time to time on account of the Debtor Obligations as the Administrative Agent shall in its absolute discretion see fit until the whole of the same shall have been paid in full and thereafter the Guarantor shall be entitled to the balance, if any, of such amounts; all of which the Administrative Agent may do without in any way releasing, reducing or otherwise affecting the Guarantor's liability to the Administrative Agent hereunder.
11. On the occurrence and during the continuance of a Default under the Credit Agreement, all of the Debtor Obligations then existing shall, at the option of the Administrative Agent, immediately become payable by the Guarantor and, during such continuance, all dividends or other payments received from any one or more of the Debtors, or on account of any one or more of the Debtors from whatsoever source, (and which if received by the Guarantor, shall be held in trust by the Guarantor for the Administrative Agent for and on behalf of the Lenders) shall be taken and applied as payment in gross, and this Guarantee shall apply to and secure any ultimate balance that shall remain owing to the Administrative Agent for and on behalf of the Lenders.
12. Upon the occurrence and during the continuance of a Default, all debts and claims against any one or more of the Debtors now or hereafter held by the Guarantor and all rights of subrogation of the Guarantor shall be for the security of the Administrative Agent, for and on behalf of the Lenders, and, as between the Guarantor and the Administrative Agent, for and on behalf of the Lenders, the same are hereby postponed to the repayment and performance of the Debtor Obligations. Upon the occurrence and during the continuance of a Default, until all of the Debtor Obligations shall have been paid in full, any money received by the Guarantor in respect of any such debts or claims shall be received by the Guarantor in trust for the Administrative Agent, for and on behalf of the Lenders, and shall be paid forthwith to

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13. The Guarantor acknowledges that it shall not have any rights of subrogation or indemnification and shall not prove a claim in the bankruptcy of any one or more of the Debtors unless and until the Debtor Obligations are paid in full.
 14. The Guarantor's obligations shall be continuing, absolute, unconditional and irrevocable and binding upon the Guarantor irrespective of: the enforceability, unenforceability, validity, perfection and effect of perfection or non-perfection of any security interest securing the Debtor Obligations or the validity or unenforceability of any of the Debtor Obligations; the termination of any Debtor Obligations by operation of law or otherwise; the bankruptcy, insolvency, dissolution or liquidation of any one or more of the Debtors; or any reorganization of any one or more of the Debtors or the Guarantor or the amalgamation of any one or more of the Debtors or the Guarantor with one or more other corporations or the sale of any one or more of the Debtors' or the Guarantor's business in whole or in part to one or more other persons or parties. In addition to the guarantee contained herein, the Guarantor hereby covenants and agrees to indemnify and save the Administrative Agent and the Lenders harmless from and against all costs, losses, expenses and damages which any of them may suffer as a result of the default by the Debtor in the payment of any of the Debtor Obligation, including without limitation, legal fees (on a substantial indemnity basis) incurred by or on behalf of the Administrative Agent and the Lenders resulting from any action instituted on the basis of this Guarantee. The Guarantor acknowledges that it is providing this Guarantee at the request of the Debtors and that it has satisfied itself and is not relying upon the Administrative Agent or any Lender in respect of all or any information with respect to the transaction under or related to the Credit Agreement or this Guarantee. The Guarantor agrees that the Administrative Agent or any Lender has no obligation to provide or disclose information to the Guarantor with respect to any dealings it has with or in respect of the Debtors at any time or from time to time.
 15. The Administrative Agent is expressly authorized to amend the documents creating or evidencing the Debtor Obligations (including, without limitation, all modifications, extensions, replacements, amendments, renewals, restatements or supplements of or to such documents) and to waive compliance by any one or more of the Debtors with the terms thereof, without notice to the Guarantor and without in any manner affecting the liability of the Guarantor.
 16. Subject to the terms of the Credit Agreement, the Administrative Agent may apply any moneys received from any one or more of the Debtors or others, or from the enforcement of security, to such part of any one or more of the Debtors' liabilities to the Lenders, whether or not guaranteed hereby, as it deems appropriate without prejudice to or in any way limiting or reducing the obligations of the Guarantor hereunder.
 17. The Guarantor shall give such further assurances and do, execute and perform all such acts, deeds, documents (including assignments) and things as may be required in the sole and absolute discretion of the Administrative Agent to give the Administrative Agent the full benefit and effect of, or intended by, this Guarantee.
 18. No term, condition or provision hereof or any right hereunder, or in respect thereof, shall be, or shall be deemed to have been waived by the Administrative Agent, except by express written waiver signed by the Administrative Agent, all such waivers to extend

only to the particular circumstances therein specified. No agreement or undertaking purporting to amend or modify this Guarantee or any of its terms, conditions or provisions or any rights or liabilities hereunder shall be effective or binding unless in writing and signed by the Administrative Agent.

19. No action or omission on the part of the Administrative Agent in exercising or failing to exercise its rights hereunder or in connection with or arising from the Debtor Obligations or any part thereof shall make the Administrative Agent or any Lender liable to the Guarantor for any loss thereby occasioned to the Guarantor.
20. The Lenders may, in accordance with the terms of the Credit Agreement, sell, assign, or transfer all of the Debtor Obligations, or any part thereof, and in that event each and every immediate and successive assignee or transferee, of all or any part of the Debtor Obligations, shall have the right to enforce this Guarantee, by suit or otherwise, for the benefit of such assignee or transferee, as fully as if such assignee or transferee were herein by name specifically given such rights, powers and benefits.
21. If any payment applied by the Administrative Agent to the Debtor Obligations is thereafter set aside, recovered, rescinded or required to be returned for any reason (including, without limitation, the bankruptcy, insolvency or reorganization of any one or more of the Debtors or any other obligor), the Debtor Obligations to which such payment was applied shall for the purposes of this Guarantee be deemed to have continued in existence, notwithstanding such application, and this Guarantee shall be enforceable as to such of the Debtor Obligations as fully as if such application had never been made.
22. This Guarantee is in addition to and not in substitution for any other undertakings, guarantees or security held or which hereafter may be held by or for the benefit of any Administrative Agent or any Lender.
23. Any provision of this Guarantee prohibited by law or otherwise ineffective shall be ineffective only to the extent of such prohibition or ineffectiveness and be severable without invalidating or otherwise affecting the remaining provisions hereof.
24. All payments to be made by the Guarantor hereunder shall be payable to the Administrative Agent at 161 Bay Street, BCE Place, 8th Floor, Toronto, Ontario, M5J 2S8, Attention: Director, Agency (or at such other place for the account of the Administrative Agent as it may from time to time specify to the Guarantor) in immediately available and freely transferable funds at the place of payment, all such payments to be paid without setoff, counterclaim or reduction and, subject to the terms of the Credit Agreement, without deduction for, and free from, any and all present or future taxes, levies, imposts, duties, fees, charges, deductions, withholding or liabilities with respect thereto or any restrictions or conditions of any nature. Subject to the terms of the Credit Agreement, if the Guarantor is required by law to make any deduction or withholding on account of any tax or other withholding or deduction from any sum payable by the Guarantor hereunder, the Guarantor shall pay any such tax or other withholding or deduction and shall pay such additional amount necessary to ensure that, after making any payment, deduction or withholding, the Administrative Agent shall receive and retain (free of any liability in respect of any payment, deduction or

withholding) a net sum equal to what it would have received and so retained hereunder had no such deduction, withholding or payment been required to have been made.

25. The payment by the Guarantor of any amount or amounts due the Administrative Agent hereunder shall be made in the same currency (the "Relevant Currency") and funds in which the underlying Debtor Obligations are payable. To the fullest extent permitted by law, the obligation of the Guarantor in respect of any amount due in the Relevant Currency under this Guarantee shall, notwithstanding any payment in any other currency (whether pursuant to a judgment or otherwise), be discharged

only to the extent of the amount in the Relevant Currency that the Administrative Agent may, in accordance with normal banking procedures, purchase with the sum paid in such other currency (after any premium and costs of exchange) on the Banking Day immediately following the day on which the Administrative Agent receives such payment. If the amount in the Relevant Currency that may be so purchased for any reason falls short of the amount originally due, the Guarantor shall pay such additional amounts, in the Relevant Currency, as may be necessary to compensate for the shortfall. Any obligations of the Guarantor not discharged by such payment shall, to the fullest extent permitted by Applicable Law, be due as a separate and independent obligation and, until discharged as provided herein, shall continue in full force and effect.

26. The Guarantor waives any and all defences, claims and discharges of any one or more of the Debtors, or any other obligor, pertaining to the Debtor Obligations, except the defense of discharge by payment in full and complete satisfaction of same. The Guarantor agrees that the undersigned shall be and remain liable for any deficiency remaining after foreclosure of any mortgage or security interest securing the Debtor Obligations, whether or not the liability of any one or more of the Debtors or any other obligor for such deficiency is discharged pursuant to statute or judicial decision.
27. This Guarantee shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. The Guarantor agrees that any legal suit, action or proceeding arising out of or relating to this Guarantee may be instituted in the courts of the Province of Ontario and the Guarantor hereby accepts and irrevocably submits to the non-exclusive jurisdiction of the said courts and acknowledges their competence and agrees to be bound by any judgment thereof, provided that nothing herein shall limit the Administrative Agent's right to bring proceedings against the Guarantor elsewhere.
28. This Guarantee shall not be subject to or affected by any promise or condition affecting or limiting the liability of the Guarantor hereunder except as set forth herein, and no statement, representation, agreement or promise on the part of the Administrative Agent or any officer, employee or agent thereof, unless contained herein forms any part of this Guarantee or shall be deemed in any way to affect the Guarantor's liability hereunder.
29. The Guarantor acknowledges that this Guarantee has been delivered free of any conditions.
30. This Guarantee shall extend to and enure to the benefit of the successors and Permitted Assigns of the Administrative Agent and the Lenders, and shall be binding upon the Guarantor and the successors and assigns of the Guarantor.

6

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31. Any word herein contained importing the singular number shall include the plural and vice versa, and any word importing any gender will include the masculine, feminine, and neuter genders and any word importing a person will include a corporation, a partnership and any other entity.
 32. All capitalized terms used and not otherwise defined herein which are defined in the Credit Agreement shall have the respective meanings ascribed to them in the Credit Agreement.

SIGNED and sealed this day of , .

CELESTICA INC.

Per: _____

Name:

Title:

7

SCHEDULE I

ROLLOVER NOTICE

TO: CANADIAN IMPERIAL BANK OF COMMERCE (the "Administrative Agent")

FROM: [Celestica Inc. or any Designated Subsidiary]

DATE: 1

1. This Rollover Notice is delivered to you pursuant to the a fourth amended and restated revolving term credit agreement made as of April 12, 2007 (together with all amendments, modifications, supplements and restatements, if any, from time to time made thereto, the "Credit Agreement") among the Debtor, the subsidiaries designated in the Credit Agreement, the financial institutions named in Schedule "A" to the Credit Agreement (the "Lenders"), and Canadian Imperial Bank of Commerce as Administrative Agent. Unless otherwise defined herein or the context otherwise requires capitalized terms used herein which are defined in the Credit Agreement have the respective meanings provided in the Credit Agreement.

2. We hereby request a Rollover pursuant to either:

(i) Section 2.12, or

(ii) Section 4.5, of

the Credit Agreement as follows:

(a) Date of Rollover:

(b) Currency and Amount of Rollover:

(c) Type of Loan:

(d) Interest Period:

(e) Maturity Date:

(f) Payment Instructions:

(if any)

3. We have understood the provisions of the Credit Agreement which are relevant to the furnishing of this Rollover Notice. To the extent that this Rollover Notice evidences, attests or confirms compliance with any covenants or conditions precedent provided for in the Credit Agreement, we have made such examination or investigation as was, in our opinion, necessary to enable us to express an informed opinion as to whether such covenants or conditions have been complied with.

4. THE UNDERSIGNED HEREBY CERTIFIES, for itself and on behalf of all other Borrowers, as of the date of hereof:

- (1) all of the representations and warranties contained in Section 8.1 of the Credit Agreement are true and correct in all material respects on and as of the date hereof; and,
- (2) no Default or Event of Default has occurred and is continuing.

[CELESTICA INC. OR ANY DESIGNATED SUBSIDIARY]

By: _____
Name:
Title:

By: _____
Name:
Title:

SCHEDULE J

TRANSFER NOTICE

TO: CELESTICA INC.

TO: CANADIAN IMPERIAL BANK OF COMMERCE (the "Administrative Agent")

CELESTICA INC.

Dear Sirs & Mesdames:

We refer to Section 13.11 of the a fourth amended and restated revolving term credit agreement made as of April 12, 2007 (together with all amendments, modifications, supplements and restatements, if any, from time to time made thereto, the "Credit Agreement") among Celestica Inc. ("Celestica"), the subsidiaries designated in the Credit Agreement, the financial institutions named in Schedule "A" to the Credit Agreement (the "Lenders"), and Canadian Imperial Bank of Commerce as Administrative Agent. Unless otherwise defined herein or the context otherwise requires capitalized terms used herein which are defined in the Credit Agreement have the respective meanings provided in the Credit Agreement.

This agreement is delivered to you pursuant to Section 13.11 of the Credit Agreement and also constitutes notice to each of you, pursuant to Section 13.11 of the Credit Agreement, of the assignment to _____ (the "Assignee") of _____ % of the Advances and Commitments of _____ (the "Assignor") under the Credit Agreement on the date hereof. After giving effect to the foregoing transfer, the Assignor's and the Assignee's percentages for the purposes of the Credit Agreement are set forth opposite such person's name on the signature pages hereof.

The Assignee hereby acknowledges and confirms that it has received a copy of the Credit Agreement and the exhibits related thereto, together with copies of the documents which were required to be delivered under the Credit Agreement as a condition to the making of the Advances thereunder. The Assignee agrees to be bound by the terms of the Credit Agreement and to perform its obligations as a Lender thereunder. The Assignee further confirms and agrees that in becoming a Lender and in making its Commitments and Advances under the Credit Agreement, such actions have and will be made without recourse to, or representation or warranty by the Administrative Agent.

Except as otherwise provided in the Credit Agreement, effective as of the date of acceptance hereof by the Administrative Agent,

- (a) the Assignee:
 - (i) shall be deemed automatically to have become a party to the Credit Agreement, have all the rights and obligations of a "Lender" under the Credit Agreement and the other Loan Documents as if it were an original signatory thereto to the extent specified in the second paragraph hereof; and
 - (ii) agrees to be bound by the terms and conditions set forth in the Credit Agreement and the other Loan Documents as if it were an original signatory thereto; and
- (b) the Assignor shall be released from its obligations under the Credit Agreement and the other Loan Documents to the extent specified in the second paragraph hereof.

The Assignor hereby agrees to pay to the Administrative Agent on the date of acceptance hereof by the Administrative Agent the processing fee referred to in Section 13.11(c) (iii) of the Credit Agreement upon the delivery hereof.

The Assignee hereby advises each of you of the following administrative details with respect to the assigned Advances and Commitments and requests the Administrative Agent to acknowledge receipt of this document:

- (i) Institution Name:
- Address for Notices:
- Attention:
- Domestic Office:
- Telephone:
- Facsimile:
- Telex (Answerback):
- LIBOR Office:
- Telephone:
- Facsimile:
- Telex (Answerback):
- (ii) Payment Instructions:

2

This Agreement may be executed by the Assignor and the Assignee in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

Adjusted Percentage

[ASSIGNOR], as Lender

%

By: _____

Name:
Title:

By: _____

Name:
Title:

3

Percentage

[ASSIGNEE], as Lender

%

By: _____

Name:
Title:

By: _____

Name:
Title:

4

Accepted and Acknowledged this day of , 20 .

**CANADIAN IMPERIAL BANK OF
COMMERCE,**
as Administrative Agent

By: _____

Name:
Title:

By: _____

Name:
Title:

CELESTICA INC.

By: _____
Name:
Title:

By: _____
Name:
Title:

5

SCHEDULE K

ISSUANCE REQUEST

CANADIAN IMPERIAL BANK OF COMMERCE, as Administrative Agent
161 Bay Street
BCE Place, 8th Floor
Toronto, Ontario M5J 2S8

Attention: Director, Agency
Telecopier: (416) 956-3830

**[Issuing Bank]
[address]**

Dear Sirs & Mesdames:

Re: A fourth Amended and Restated Revolving Term Credit Agreement made as of April 12, 2007 (together with all amendments, modifications, supplements and restatements, if any, from time to time made thereto, the "Credit Agreement") among Celestica Inc. ("Celestica"), the subsidiaries designated in the Credit Agreement, the financial institutions named in Schedule "A" to the Credit Agreement (the "Lenders"), and Canadian Imperial Bank of Commerce as Administrative Agent. Unless otherwise defined herein or the context otherwise requires capitalized terms used herein which are defined in the Credit Agreement have the respective meanings provided in the Credit Agreement.

This Issuance Request is delivered to you pursuant to Section 3.1 of the Credit Agreement. Unless otherwise defined herein or the context otherwise requires, capitalized terms used herein which are defined in the Credit Agreement have the respective meanings provided in the Credit Agreement.

The undersigned hereby requests that on _____, (the "Date of Issuance"), the **[Issuing Bank]** (the "Issuer") **[issue an irrevocable standby letter of credit/letter of guarantee on _____, _____ in the initial Face Amount of (specify currency) _____ with a Stated Expiry Date of _____]** **[extend the Stated Expiry Date (as defined under Irrevocable Standby Letter of Credit/Letter of Guarantee No. _____, issued on _____, _____, in the initial Face Amount of _____) to a revised Stated Expiry Date of _____, _____].**

The beneficiary of the requested letter of credit/letter of guarantee will be (1) _____, and such letter of credit/letter of guarantee will be in support of (2) _____.

- (1) Insert name and address of beneficiary.
(2) Insert description of supported indebtedness or other obligations and name of agreement to which it relates.

The undersigned hereby acknowledges that, pursuant to Section 8.3 of the Credit Agreement, the **[issuance] [extension]** of the letter of credit/letter of guarantee requested hereby constitutes a representation and warranty by the undersigned that, on such date of **[issuance] [extension]** all representations set forth in Section 8.1 are true and correct in all material respects.

The undersigned agrees that if, prior to the time of the **[issuance] [extension]** of the letter of credit/letter of guarantee requested hereby, any matter certified to herein by it will not be true and correct at such time as if then made, it will immediately so notify the Administrative Agent. Except to the extent, if any, that prior to the time of the issuance or extension requested hereby the Administrative Agent and the Issuer shall receive written notice to the contrary from the undersigned, each matter certified to herein shall be deemed to be certified at the date of such issuance or extension.

IN WITNESS WHEREOF, the undersigned has caused this Issuance Request to be executed and delivered by its duly authorized officer this _____ day of _____, 20 _____.

CELESTICA INC.

By: _____
Name:
Title:

By: _____
Name:
Title:

2

ACCEPTANCE NOTE

TO: [Lender]

DATE: 1

FOR VALUE RECEIVED, the undersigned, 1, hereby unconditionally promises to pay to the order of [Lender] (the "Lender") the principal amount of 1 CANADIAN DOLLARS (Cdn.\$). The undiscounted principal amount hereof shall be repaid on 1(1). The undersigned agrees that interest shall be paid herein, in advance, by the Lender discounting the face amount of this Note in the manner described in Section 4.7 of the Credit Agreement described below.

This Acceptance Note is one of the Acceptance Notes delivered to you pursuant to Section 4.7 of the a fourth amended and restated revolving term credit agreement made as of April 12, 2007 (together with all amendments, modifications, supplements and restatements, if any, from time to time made thereto, the "Credit Agreement") among Celestica Inc. ("Celestica"), the subsidiaries designated in the Credit Agreement, the financial institutions named in Schedule "A" to the Credit Agreement (the "Lenders"), and Canadian Imperial Bank of Commerce as Administrative Agent. Unless otherwise defined herein or the context otherwise requires capitalized terms used herein which are defined in the Credit Agreement have the respective meanings provided in the Credit Agreement.

All parties hereto, whether as makers, endorsers, or otherwise, severally waive presentment for payment, demand, protest, notice of protest, notice of non-payment and notice of dishonour.

(1) Insert maturity date for Bankers' Acceptances created simultaneously herewith.

THIS NOTE HAS BEEN DELIVERED IN TORONTO, ONTARIO AND SHALL BE DEEMED TO BE A CONTRACT MADE UNDER AND GOVERNED BY THE LAWS OF THE PROVINCE OF ONTARIO AND THE FEDERAL LAWS OF CANADA APPLICABLE THEREIN.

[CELESTICA INC. OR ANY CANADIAN DESIGNATED SUBSIDIARY]

By: _____
Name:
Title:

By: _____
Name:
Title:

SCHEDULE M

CONSENT LENDER NOTICE

TO: CANADIAN IMPERIAL BANK OF COMMERCE, as Administrative Agent

RE: Subsection 7.1(c)(ii) of the fourth amended and restated revolving term credit agreement made as of April 12, 2007 (together with all amendments, modifications, supplements and restatements, if any, from time to time made thereto, the "Credit Agreement") among Celestica Inc. ("Celestica"), the subsidiaries designated in the Credit Agreement, the financial institutions named in Schedule "A" to the Credit Agreement, and Canadian Imperial Bank of Commerce as Administrative Agent.

Further to the designation by Celestica Inc. of [name of Consent Designated Subsidiary] as a consent designated subsidiary (the "Consent Designated Subsidiary") on , and the satisfaction of all of the terms and provisions of subsection 7.1(c) of the Credit Agreement, the undersigned [consents/refuses] to make Advances to the Consent Designated Subsidiary referred to above.

[The undersigned allocates [portion to be specified] of the Commitment of the undersigned to Advances to the Consent Designated Subsidiary].

Unless otherwise defined herein or the context otherwise requires, terms used herein which are defined in the Credit Agreement have the meanings provided in the Credit Agreement.

[NAME OF LENDER]

By: _____
Name:
Title:

By: _____
Name:
Title:

SCHEDULE N

CALCULATION OF THE MANDATORY COST

1. General

The Mandatory Cost is the weighted average of the rates for each Lender calculated below by the Administrative Agent on the first day of an Interest Period. The Administrative Agent must distribute each amount of Mandatory Cost among the Lenders on the basis of the rate for each Lender. Any determination by the Administrative Agent, pursuant to this Schedule will be, in the absence of manifest error, conclusive and binding on all the parties to this Agreement.

2. For a Lender lending from a lending office in the U.K.

- (a) The relevant rate for a Lender lending from a lending office in the U.K. is calculated in accordance with the following formulae:

for a Loan in Sterling:

$$\frac{AB + C(B-D) + E \times 0.01}{100 - (A + C)} \text{ per cent. per annum}$$

for any other Loan:

$$\frac{E \times 0.01}{300} \text{ per cent. per annum}$$

300

where on the day of application of the formula:

- (A) is the percentage of that Lender's eligible liabilities (in excess of any stated minimum) which the Bank of England requires it to hold on a non-interest-bearing deposit account in accordance with its cash ratio requirements;
 - (B) is LIBOR for that Interest Period;
 - (C) is the percentage of that Lender's eligible liabilities which the Bank of England requires it to place as a special deposit;
 - (D) is the interest rate per annum allowed by the Bank of England on a special deposit; and
 - (E) is calculated by the Administrative Agent as being the average of the rates of charge supplied by the Lenders to the Administrative Agent under paragraph (d) below and expressed in pounds per £1 million.
- (b) For the purposes of this paragraph 2:

-
- (i) **eligible liabilities** and **special deposit** have the meanings given to them at the time of application of the formula by the Bank of England;
 - (ii) **fees rules** means the then current rules on periodic fees in the Supervision Manual of the FSA Handbook; and
 - (iii) **tariff** base has the meaning given to it in the fees rules.
- (c) (i) In the application of the formulae, A, B, C and D are included as figures and not as percentages, e.g. if A = 0.5% and B = 15%, AB is calculated as 0.5 x 15. A negative result obtained by subtracting D from B is taken as zero.
- (ii) Each rate calculated in accordance with a formula is, if necessary, rounded upward to four decimal places.
- (d) (i) Each Lender must supply to the Administrative Agent the rate of charge payable by that Lender to the Financial Services Authority under the fees rules (calculated by that Lender as being the average of the rates of charge applicable to that Lender but, for this purpose, applying any applicable discount and ignoring any minimum fee required under the fees rules) and expressed in pounds per £1 million of the tariff base of that Lender.
- (ii) Each Lender must promptly notify the Administrative Agent of any change to the rate of charge.
- (e) (i) Each Lender must supply to the Administrative Agent the information required by it to make a calculation of the rate for that Lender. The Administrative Agent may assume that this information is correct in all respects.
- (ii) If a Lender fails to do so, the Administrative Agent may assume that the Lender's obligations in respect of cash ratio deposits, special deposits and the fees rules are the same as those of a typical bank from its jurisdiction of incorporation with a lending office in the U.K.
- (iii) The Administrative Agent has no liability to any party to this Agreement if its calculation over or under compensates any Lender.

3. For a Lender lending from a lending office in a Participating Member State

- (a) The relevant rate for a Lender lending from a lending office in a Participating Member State is the percentage rate per annum notified by that Lender to the Administrative Agent as its cost of complying with the minimum reserve requirements of the European Central Bank.
- (b) If a Lender fails to specify a rate under paragraph (a) above, the Administrative Agent will assume that the Lender has not incurred any such cost.

4. Changes

The Administrative Agent may, after consultation with Celestica and the Lenders, notify all the parties to this Agreement of any amendment to this Schedule which is required to reflect:

- (a) any change in law or regulation; or
- (b) any requirement imposed by the Bank of England, the Financial Services Authority or the European Central Bank (or, in any case, any successor authority).

If the Administrative Agent, after consultation with Celestica, determines that the Mandatory Cost for a Lender lending from a lending office in the U.K. can be calculated by a reference to a screen, the Administrative Agent may notify all the parties to this Agreement of any amendment to this Agreement which is required to reflect this.

Any notification will be, in the absence of manifest error, conclusive and binding on all the parties to this Agreement.

SCHEDULE O

[INTENTIONALLY DELETED]

SCHEDULE P

PERMITTED ENCUMBRANCE CERTIFICATE

[CORPORATION]

TO: CANADIAN IMPERIAL BANK OF COMMERCE, as Administrative Agent

AND TO: The Lenders now or hereafter party to the Credit Agreement (defined below)

AND TO: Osler, Hoskin & Harcourt LLP

PURSUANT TO the fourth amended and restated revolving term credit agreement made as of April 12, 2007 (together with all amendments, modifications, supplements and restatements, if any, from time to time made thereto, the "Credit Agreement") among Celestica Inc. ("Celestica"), the subsidiaries designated in the Credit Agreement, the financial institutions named in Schedule "A" to the Credit Agreement (the "Lenders"), and Canadian Imperial Bank of Commerce as Administrative Agent, (the "Corporation") is required to provide this Certificate.

I, _____, a **[director/officer]** of the Corporation, do hereby certify as a **[director/officer]** of the Corporation, and not in my personal capacity, the matters set out below after having made or caused to be made such inquiries as were necessary in the circumstances that:

1. Osler, Hoskin & Harcourt LLP, as Ontario counsel to the Administrative Agent has provided to the Corporation a Personal PSRS Enquiry Certificate with a currency date indicated thereon, indicating outstanding *Personal Property Security Act* (Ontario) registrations (collectively, the "PPSA Registrations") with respect to the Corporation (the "PPSA Report"), a copy of which is attached as Schedule "A" hereto. **[[Law Firm], as special counsel to the Administrative Agent has provided to the Corporation reports (together with the PPSA Report, the "Report") indicating the outstanding tax, judgment and U.C.C. lien registrations, (collectively, with the PPSA Registrations, the "Registrations") with respect to the Corporation, a copy of which is attached as Schedule "B" hereto.]**
2. Each of the Registrations against the Corporation as disclosed in the Report relates to a Permitted Encumbrance (as such term is defined in the Credit Agreement).

DATED as of the _____ day of _____, 20 ____ .

Name

SCHEDULE Q

[INTENTIONALLY DELETED]

SCHEDULE R

PERMITTED DISSOLUTIONS

1. Celestica Electronics (M) Sdn. Bhd. (Malaysia)
2. Celestica Industries Limited (United Kingdom)
3. Celestica South America Holdings Inc. (Ontario)
4. Celestica (Telford) Limited (United Kingdom)
5. NDB Industrial Ltda. (Brazil)

6. Celestica Montreal Inc. (Canada)
 7. IMS International Manufacturing Services de Monterrey, S. de R.L. de C.V. (Mexico)
 8. MSL France Operations SAS
 9. MSL Midwest Operations, Inc.
 10. MSL Offshore Finance B.V.
 11. MSL SPV Spain, Inc.
 12. MSL Overseas Finance B.V.
 13. Celestica do Brasil Tecnologia de Produtos e Servicos Ltda.
 14. Celestica France SAS
 15. Celestica Ireland Holdings
 16. Celestica Cayman Holdings 2 Limited
 17. Celestica Barcelona, S.L.
 18. 1593289 Ontario Inc.
 19. Celestica (Gibraltar) Limited
 20. 1282087 Ontario Inc.
-

SCHEDULE S

PERMITTED MERGERS

1. Celestica (Switzerland) AG and Celestica AG
 2. Celestica (India) Private Limited and Celestica (Hyderabad) Electronics Private Limited
-

SCHEDULE T

GENERAL SECURITY AGREEMENT(7)

THIS AGREEMENT is made as of 1 .

TO: **CANADIAN IMPERIAL BANK OF COMMERCE**, in its capacity as administrative agent (the “**Agent**”) on behalf of (i) itself as Agent, (ii) the financial institutions named in Schedule A to the Fourth Amended and Restated Revolving Term Credit Agreement and (iii) the Hedge Lenders ((i), (ii) and (ii) are collectively, the “**Lenders**”), as the same may be amended, supplemented, restated, extended, renewed or superseded from time to time (the “**Credit Agreement**”), dated as of April 12, 2007 between the Agent, the Lenders, Celestica Inc. and the subsidiaries specified as designated subsidiaries, as borrowers, CIBC World Markets, as Joint Lead Arranger, RBC Capital Markets, as Joint Lead Arranger and Co-Syndication Agent and Banc of America Securities LLC, as Co-Syndication Agent.

GRANTED BY: 1, a corporation incorporated under the laws of 1 (the “**Grantor**”).

ARTICLE 1 INTERPRETATION

1.1 Definitions

Unless the context otherwise requires or unless otherwise specified, all the terms used in this Agreement without initial capitals, which are defined in the PPSA or the STA (each as defined below) have the same meanings in this Agreement as in the PPSA or the STA, as applicable, and all terms used in this Agreement with initial capitals and not otherwise defined herein shall have the meanings ascribed to such terms in the Credit Agreement. In addition, the following terms shall have the following meanings:

“**Account Debtor**” means any Person who is or becomes obligated to pay under any of the Accounts, Chattel Paper, Contracts and Instruments;

“**Accounts**” means all debts, accounts, claims, rents, monies and choses in action which are now or which may at any time hereafter be due and owing to or owned by the Grantor or in which the Grantor now or hereafter has any other interest, or any part thereof;

(7) Note: Form of General Security Agreement to be provided by Canadian Grantors. General Security Agreements to be provided by other Grantors to be substantially in the same form with such changes thereto as agreed upon by Lenders’ Counsel and Borrowers’ Counsel and as are otherwise reasonable or necessary to grant the Agent a perfected security interest in such other Grantors’ personal property.

“**Agreement**” means this agreement entitled “General Security Agreement” including any recitals and schedules to this Agreement, as may be amended, supplemented or restated in writing from time to time;

“**Chattel Paper**” means all chattel paper in which the Grantor now or hereafter has an interest, and any part thereof;

“**Contracts**” means any contracts, agreements, indentures, licences, commitments, entitlements, engagements or other arrangements, including any investment with or interest in any Person which does not constitute Investment Property, whether written or unwritten, to which the Grantor is now or hereafter a party or has a benefit, right, or in which the Grantor now or hereafter has an interest;

“**Control Agreement**” means any present or future agreement or agreements entered into by the Grantor, the Agent and the applicable issuer, securities intermediary or futures intermediary, whereby the parties intend for the Agent to obtain control of Investment Property;

“**Deficiency**” has the meaning given to it in Section 5.1(j);

“**Documents of Title**” means all documents of title, whether negotiable or non-negotiable, including, without limitation, all warehouse receipts and bills of lading, in which the Grantor now or hereafter has an interest, and any part thereof;

“**Equipment**” means all goods in which the Grantor now or hereafter has an interest other than Inventory or consumer goods and any part thereof, including, without limitation, all tools, apparatus, fixtures, plant, machinery and furniture;

“**Futures Account**” means all of the present or future futures accounts maintained for the Grantor by a futures intermediary, including all futures contracts carried in such futures accounts and the agreements between the Grantor and the futures intermediary governing such futures accounts;

“**Instruments**” means all letters of credit, advices of credit, bills of exchange, depository notes, depository bills, banker’s acceptances and other instruments in which the Grantor now or hereafter has an interest, and any part thereof;

“**Intangibles**” means all intangibles of whatever kind in which the Grantor now or hereafter has an interest, including, without limitation, all of the Grantor’s rights under Contracts, Intellectual Property Rights, Technical Information, permits and quotas;

“**Intellectual Property Rights**” means all trade-marks, trade-names, brands, trade dress, business names, uniform resource locators (“URL”), domain names, tag lines, designs, graphics, logos and other commercial symbols and indicia of origin, goodwill, patents and inventions, copyrights, industrial designs, and other intellectual property rights, whether registered or not or the subject of a pending application for registration, owned by or licensed to the Grantor, including, without limiting the generality of the foregoing, the intellectual property owned by or licensed to the Grantor;

2

“**Inventory**” means all inventory of whatever kind and wherever situate in which the Grantor now or hereafter has an interest, including, without limitation, all goods, merchandise, raw materials, goods in process, finished goods and other tangible personal property held for sale, lease, resale or exchange or furnished or to be furnished under contracts for service or that are used or consumed in the business of the Grantor, and any part thereof;

“**Investment Property**” means all or any part of any present or future interest of the Grantor in present and after acquired investment property, including all securities, Securities Accounts and Futures Accounts, all of the present and future security entitlements of the Grantor as an entitlement holder of such security entitlements, all of the present and future futures contracts of the Grantor as a futures customer in respect of such futures contracts, and all proceeds of any such property;

“**Money**” means all money in which the Grantor now or hereafter acquires an interest, and any part thereof;

“**Obligations**” has the meaning specified in Section 3.1;

“**PPSA**” means the *Personal Property Security Act*, R.S.O. 1990, c.P.10, as amended from time to time;

“**Places of Business**” means the Borrower’s places of business specified in Section 4.1(h), and “**Place of Business**” means any one of them;

“**Proceeds**” means all proceeds and personal property in any form derived directly or indirectly from any dealing with the Secured Property or any part thereof and any insurance or payment that indemnifies or compensates for such property lost, damaged or destroyed, and proceeds of proceeds and any part thereof;

“**Secured Parties**” means the Agent and the Lenders, together with their respective successors and assigns;

“**Secured Property**” means all of the Grantor’s undertaking, personal property, rights and assets of every nature and kind, now owned or subsequently acquired and at any time and from time to time existing or in which the Grantor has or acquires an interest, wherever situate, including all personal property, insurance policies, annuities, financial assets, Accounts, Chattel Paper, Contracts, Documents of Title, Equipment, Intangibles, Instruments, Inventory, Investment Property, Money and Proceeds, together with all increases, additions and accessions to any of them, and all substitutions or any replacements of any of them but does not include any real property;

“**Securities Account**” means all of the present or future securities accounts maintained for the Grantor by a securities intermediary, including all of the financial assets credited to such securities accounts, all related securities entitlements and the agreements between the Grantor and the securities intermediary governing such securities accounts.

“**Security Interest**” means the security interest granted under Section 2.1;

3

“**STA**” means the *Securities Transfer Act*, 2006, S.O. 2006, c. 8, as amended from time to time; and

“**Technical Information**” means all know-how and information owned by or licensed to the Grantor, confidential or otherwise, including, without limitation, and any information of a scientific, technical, financial or business nature regardless of its form.

This Agreement is made under and shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable in the Province of Ontario without prejudice to or limitation of any other rights or remedies available under the laws of any jurisdiction where property or assets of the Grantor may be found.

1.3 Headings

Headings of Articles and Sections are inserted for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.4 Number and Gender

Unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders.

1.5 Paramountcy

If there is a conflict, inconsistency, ambiguity or difference between any provision of this Agreement and the Credit Agreement, the provisions of the Credit Agreement shall prevail, and such provision of this Agreement shall be amended to the extent only to eliminate any such conflict, inconsistency, ambiguity or difference. Any right or remedy in this Agreement which may be in addition to the rights and remedies contained in the Credit Agreement shall not constitute a conflict, inconsistency, ambiguity or difference.

1.6 Severability

If, in any jurisdiction, any provision of this Agreement or its application to any party or circumstance is restricted, prohibited or unenforceable, such provision shall, as to such jurisdiction, be ineffective only to the extent of such restriction, prohibition or unenforceability without invalidating the remaining provisions of this Agreement and without affecting the validity or enforceability of such provision in any other jurisdiction or without affecting its application to other parties or circumstances.

1.7 No Strict Construction

The language used in this Agreement is the language chosen by the parties to express their mutual intent, and no rule of strict construction shall be applied against any party.

1.8 Time

Time is of the essence in the performance of the parties' respective obligations.

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ARTICLE 2 SECURITY INTEREST

2.1 Security Interest

Subject to Sections 2.4 and 2.5, as continuing security for the due and timely payment and performance by the Grantor of each of the Obligations, the Grantor hereby grants to the Agent a continuing security interest in the Secured Property.

2.2 Fixed Nature of Security Interest

The Security Interest is intended to operate as a fixed and specific charge of all of the Secured Property presently existing, and with respect to all future Secured Property, to operate as a fixed and specific charge of such future Secured Property.

2.3 Attachment and Value

The Grantor acknowledges:

- (a) receipt of a copy of this Agreement;
- (b) that value has been given for the granting of the Security Interest;
- (c) that the Security Interest attaches to the Secured Property immediately upon execution and delivery of this Agreement to the Agent and that the Agent and the Grantor have not agreed to postpone the time of attachment of the Security Interest;
- (d) if the Grantor does not acquire rights or interests in any of the Secured Property until after the execution and delivery of this Agreement, the Security Interest shall attach to such Secured Property when the Grantor acquires rights in such Secured Property;
- (e) that neither the execution of, nor filing with respect to, this Agreement shall obligate any Secured Party to make any advance or loan or further advance, or bind any Secured Party to grant or extend any credit to the Grantor; and
- (f) that the Security Interest shall be effective whether all or part of the Obligations shall be advanced before, upon or after the date of execution of this Agreement.

2.4 Leases

The last day of any term reserved by any real property lease, written or unwritten, or any agreement to lease real property, now held or hereafter acquired by the Grantor is hereby excepted out of the Security Interest. As further security for the payment of the Obligations, the Grantor agrees that it will stand possessed of the reversion of such last day of the term and shall hold it in trust for the Agent for the purpose of this Agreement. The Grantor shall assign and dispose of the same in such manner as the Agent may from time to time direct in writing without cost or expense to any Secured Party. Upon any sale, assignment, sublease or other disposition of such lease or agreement to lease, the Agent shall, for the purpose of vesting the residue of any

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such term in any purchaser, assignee, sublessee or such other acquirer of the real property lease, agreement to lease or any interest therein, be entitled by deed or other written instrument to assign to such other Person, the residue of any such term in place of the Grantor and to vest the residue freed and discharged from any obligation whatsoever respecting the same.

2.5 Consent

Nothing herein shall constitute an assignment or attempted assignment of any Contract which by the provisions thereof or by law is not assignable or which requires the consent of a third party to its assignment unless such consent has been obtained. In each such case, the Grantor shall, unless the Agent otherwise agrees in writing, forthwith, upon written request by the Agent, use commercially reasonable efforts to obtain the consent of any necessary third party to its assignment hereby and to its further assignment by the Agent to any third party who may acquire same as a result of the exercise by the Agent of remedies after demand. Upon such consent being obtained or waived, this Agreement shall apply to the applicable Contract without regard to this section and without the necessity of any further assurance to effect the assignment thereof. Unless and until the consent to assignment is obtained as provided above, the Grantor shall, to the extent it may do so by law or pursuant to the provisions of the Contract or interest referred to therein, hold all benefit to be derived from the applicable Contracts in trust for the Agent (including, without limitation, the Grantor's beneficial interest in any Contract which may be held in trust for the Grantor by a third party), as additional security for payment of Obligations and shall deliver up all such benefit to the Agent, forthwith upon demand by the Agent.

2.6 Transfers of Secured Property

- (a) If any personal property which forms part of the Secured Property (i) is sold, assigned, transferred, leased, conveyed or otherwise disposed of (in each case, "**Disposed**"; and "**Disposition**" has a correlative meaning thereto) or encumbered by the Grantor in accordance with the Credit Agreement, and/or (ii) otherwise becomes a Securitized Asset during the term of this Agreement, the interests of the Grantor in such personal property that has been so Disposed of or encumbered or in such Securitized Asset shall, without further act (subject to the satisfaction of the conditions contained in Section 9.1(p)(iii) of the Credit Agreement, if applicable) and concurrently with such encumbrance or Disposition, cease to form part of the Secured Property and shall not be subject to this Agreement, shall automatically and without further act be released from and no longer be subject to the Security Interest, and the Security Interest shall cease to be attached to such interests in such personal property.
- (b) Securitized Assets which cease to be Securitized Assets shall, without further act, immediately become part of the Secured Property and subject to this Agreement and the Security Interest shall, and shall be deemed to, attach to such personal property unless provided otherwise herein.
- (c) The Agent agrees, at the Grantor's expense, to execute and deliver to the Grantor such documents as the Grantor shall reasonably request to evidence the release of such item of Secured Property from the Security Interest.

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ARTICLE 3 OBLIGATIONS SECURED

3.1 Obligations

The Secured Property constitutes and will constitute continuing security for the following obligations (the "**Obligations**") of the Grantor to the Secured Parties:

- (a) **Indebtedness** - The prompt payment, as and when due and payable, of all amounts now or hereafter owing by the Grantor to any Secured Party pursuant to the Credit Agreement, this Agreement, any other Loan Document or any Eligible Hedging Agreement, including, without limitation, by way of guarantee or indemnity, whether now existing or hereafter incurred, matured or unmatured, direct, indirect or contingent, including any amendments, restatements, supplements, extensions, renewals and replacements thereof; and
- (b) **Performance of Agreements** - The strict performance and observance by the Grantor of all agreements, warranties, representations, covenants and conditions of the Grantor made by the Grantor pursuant to the Credit Agreement, this Agreement, any other Loan Document or any Eligible Hedging Agreement, in each case as now in effect or as hereafter entered into, amended, restated, supplemented, renewed, extended or replaced from time to time.

ARTICLE 4 GRANTOR'S REPRESENTATIONS, WARRANTIES AND COVENANTS

4.1 Representations and Warranties

The Grantor represents and warrants to the Agent the matters set out below:

- (a) **Ownership of Secured Property Free of Charges** - The Grantor is the owner of or has rights in the Secured Property and there are no Liens on the Secured Property other than Permitted Encumbrances;
- (b) **Due Authorization, Non-contravention etc.** - The execution, delivery and performance by the Grantor of each Loan Document to which it is a party are within its corporate powers, have been duly authorized by all necessary corporate action by it, and do not:
 - (i) contravene its Organic Documents;
 - (ii) contravene any Applicable Law or contractual restriction; or
 - (iii) result in, or require the creation or imposition of, any Lien on any of its properties except the Security Interest;
- (c) **Account Debtor** - Each of the Accounts, Chattel Paper, Contracts and Instruments constituting Secured Property is genuine and bona fide and the amount represented thereunder from time to time as owing to the Grantor, unless disclosed in writing by the Guarantor to the Agent, will be owed free of any

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dispute, set-off or counterclaim, and, to the Grantor's knowledge, enforceable in accordance with its terms against the applicable Account Debtor or counterparty;

- (d) **Amounts Due From Account Debtor** - The amount represented by the Grantor to the Agent from time to time as owing by each Account Debtor or by all Account Debtors, to the best of the Grantor's knowledge, is the correct amount actually and unconditionally owing by such Account Debtor or Account

Debtors, save and except for normal cash discounts where applicable and a reasonable reserve for bad debts;

- (e) **Accounts with Financial Intermediaries** – Each of the Securities Accounts and Futures Accounts, to the Grantor’s knowledge, is enforceable in accordance with its terms against the applicable securities intermediary or futures intermediary without any security interest or other Lien held by such securities intermediary or futures intermediary or right of set-off, netting or consolidation other than for normal charges applicable to the maintenance of such accounts and brokerage fees incurred in the ordinary course of business;
- (f) **Insurance** - The Secured Property is insured in accordance with the terms of Section 4.2(h);
- (g) **No Other Corporate Names or Styles** - The Grantor does not carry on business under or use any name or style other than the name(s) specified in this Agreement including, without limitation, any names in the French language;
- (h) **Place of Business of Grantor** - The following is/are the Grantor’s Place(s) of Business:

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The Grantor’s chief executive office is located at [I] and its registered or head office under the laws of Canada or of a Canadian territory or province, if any, is located at [I].

- (i) **Reliance and Survival** - All representations and warranties of the Grantor made in this Agreement or in any certificate or other document delivered by or on behalf of the Grantor to or for the benefit of the Agent in connection with this Agreement are material, shall survive and shall not merge upon the execution and delivery of this Agreement and shall continue in full force and effect for so long as any obligation of an Obligor to the Agents or any lenders shall remain outstanding. The Agent shall be deemed to have relied upon such representations and warranties notwithstanding any investigation made by or on behalf of the Agent at any time.

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4.2 Covenants

Unless compliance with the following covenants is waived by the Agent in writing or unless non-compliance with any such covenants is otherwise consented to by the Agent in writing, the Grantor covenants and agrees that:

- (a) **Notification to Agent** -The Grantor shall promptly notify the Agent of:
 - (i) **Claims and Liens** - any material claim or Lien made or asserted against any of the Secured Property, other than Permitted Encumbrances;
 - (ii) **Proceedings** - any material suit, action or proceeding affecting any of the Secured Property or which could affect the Grantor;
 - (iii) **Loss or Damage** - all material loss or damage to or loss of possession of all or any part of the Secured Property other than by disposition in accordance with the terms of this Agreement or the Credit Agreement; and
 - (iv) **Account Debtor Non-Performance** - any material failure of any Account Debtor, any securities intermediary in respect of a Securities Account or any futures intermediary in respect of a Futures Account in payment or performance of obligations due to the Grantor which may affect the Secured Property;and the Grantor shall, at its own expense, use commercially reasonable efforts to defend the Secured Property against any and all such claims or Liens and against any and all such suits, actions or proceedings;
- (b) **No Accessions or Fixtures** - The Grantor shall prevent the Secured Property from becoming an accession to any property other than the Secured Property or from becoming a fixture unless the Security Interest ranks prior to the interests of all other Persons in the real property;
- (c) **Marking the Secured Property** - The Grantor shall, at the request of the Agent, mark, or otherwise take appropriate steps to identify, the Secured Property to indicate clearly that it is subject to the Security Interest;
- (d) **Encumbrances** - The Grantor shall not create, incur, assume, permit or suffer to exist any Lien, on or with respect to any of the Secured Property, except for Permitted Encumbrances;
- (e) **Payment of Taxes** – The Grantor shall pay or cause to be paid, when due, all Taxes including, property taxes, business taxes, social security premiums, assessments and governmental charges or levies imposed upon it or upon its income, sales, capital or profit or any property belonging to it unless any such Tax, social security premiums, assessment, charge or levy is contested by it in good faith with adequate provision or reserve, where required by GAAP, and to withhold and remit when due all payroll and withholding taxes;

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- (f) **Maintenance of Secured Property and Books** - The Grantor shall at all times keep accurate and complete records with respect to the Secured Property as well as proper books of account for its business all in accordance with GAAP, consistently applied, and shall maintain the currency of registration of its Intellectual Property Rights;
- (g) **Delivery of Documents** - The Grantor shall deliver to the Agent promptly upon reasonable request:
 - (i) **Documents** - any Chattel Paper, Instruments and Documents of Title, and upon such delivery, where applicable, duly endorse the same for transfer in blank or as the Agent may direct;
 - (ii) **Books of Account** - all material computer software, tapes, discs, drums and cards, all Securities Accounts, Future Accounts, books of account and all material records, ledgers, reports, schedules, documents, statements, lists and other writings relating to the Secured Property or the Grantor’s business for the purpose of inspecting, auditing or copying the same;
 - (iii) **Contracts and Agreements** - all material Contracts and all other material agreements, licenses, permits and consents relating to the Secured Property and the Grantor’s business; and

(iv) **Other Information** - such information concerning the Secured Property, the Grantor and the Grantor's business and affairs as the Agent may reasonably request;

(h) **Risk and Insurance** - The Grantor bears the sole risk of any loss, damage, destruction or confiscation of or to the Secured Property during the Grantor's possession of the Secured Property or otherwise. The Grantor will maintain or cause to be maintained insurance with responsible insurance companies with respect to its properties and business as is customary in the case for similar businesses operating in similar geographic locations. Notwithstanding the foregoing, the Grantor shall be permitted to self-insure only where self-insurance is usual and customary for the type of risk, and for companies in substantially the same line of business and operating in the same geographic location as the Grantor and where customary and usual reserves or provisions are taken in respect of such self-insurance by the Grantor. The Grantor shall cause property insurance policies to name the Agent as a named insured and with loss payable to the Agent as its interest may appear. The Grantor shall also obtain such other insurance coverage as the Agent may reasonably require from time to time. All such policies of insurance shall provide that such insurance coverage shall not be changed or cancelled except on thirty (30) days' notice to the Agent. If the Grantor fails to so insure, the Agent may, acting reasonably, insure the Secured Property and the premiums for such insurance shall be added to the balance of the Obligations secured under this Agreement as they exist at the date of the payment of such premium by the Agent;

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(i) **Changes and Other Names** - The Grantor shall not, without at least 20 days prior written notice to the Agent (i) change its name as it appears in official filings in the jurisdiction of its organization; (ii) change its registered office, head office, chief executive office, principal place of business, domicile (within the meaning of the *Civil Code of Quebec*), corporate offices or warehouses or locations at which Secured Property is held or stored, or the location of its books and records; (iii) change the type of entity that it is; (iv) change its jurisdiction of incorporation or organization;

(j) **No Consolidation/Amalgamation, etc.** - The Grantor shall not, directly or indirectly, merge, amalgamate or enter into any similar or other business combination pursuant to statutory authority or otherwise with any other Person except in compliance with Section 13.12 of the Credit Agreement; and

(k) **No Affecting the Security** - The Grantor shall not do, permit or suffer to be done anything to adversely affect the ranking, validity or perfection of the Security Interest.

ARTICLE 5 RIGHT TO DEAL

5.1 Grantor's Rights before Default

Until the occurrence of an Event of Default which is continuing and subject to the terms of this Agreement and the Credit Agreement, the Grantor is entitled to deal with the Secured Property in the ordinary course of business, provided however, that no such action shall be taken which would impair the effectiveness of the Security Interest created by this Agreement or the value of the Secured Property or which would be inconsistent with or violate the provisions of this Agreement, the Credit Agreement, any Control Agreement or any other Loan Document.

5.2 Investment Property

Until the occurrence of an Event of Default which is continuing and subject to the terms of this Agreement, the Grantor is entitled to receive interest and regular cash dividends or other distributions, vote the Investment Property and give entitlement orders, instructions, directions and other consents, waivers and ratifications in respect of the Investment Property, provided however, that no such action shall be taken which would impair the validity, perfection or priority of the Security Interest created by this Agreement or the value of the Investment Property or which would be inconsistent with or violate the provisions of this Agreement, the Credit Agreement, any Control Agreement or any other Loan Document.

5.3 Delivery and Control

The Agent may, acting reasonably, require the Grantor to do all such acts and things that are necessary or desirable for the Agent or the Agent's agent or a nominee of the Agent to receive delivery of the Investment Property or obtain control of the Investment Property, including (a) any consent of the Grantor as a registered owner of Investment Property, an entitlement holder or a futures customer, as the case may be, and (b) using commercially reasonable efforts to cause

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any third parties to enter into agreements, necessary or desirable for such control to be obtained by the Agent, provided that the foregoing shall not apply to any Investment Property consisting of Shares. Notwithstanding any such transfer, delivery or control, until the occurrence of an Event of Default which is continuing, (a) Sections 5.1 and 5.2 shall continue to apply and upon such transfer the Agent shall provide the Grantor with such proxies and other written authorizations as may reasonably be requested by the Grantor to enable the Grantor to exercise the rights and take the actions described in Sections 5.1 and 5.2 and (b) the Agent shall not be entitled to take any action described in Sections 17.1(b) and (c) and Section 17.1(2) of the PPSA.

ARTICLE 6 REMEDIES

6.1 Rights and Remedies

Upon the occurrence of an Event of Default and during the continuance thereof, all of the Obligations shall, at the Agent's option and without notice to the Grantor, become immediately due and payable and the Agent may, at its option, proceed to enforce payment and performance of the Obligations and to exercise any or all of the rights and remedies contained in this Agreement, (including, without limitation, the signification and collection of the Grantor's Accounts), or otherwise afforded by law, in equity or otherwise. The Agent shall have the right to enforce one or more remedies successively or concurrently in accordance with Applicable Law and the Agent expressly retains all rights and remedies not inconsistent with the provisions in this Agreement including all the rights the Agent may have under the PPSA. Without limiting the generality of the foregoing, the Agent may, upon the occurrence of any Event of Default and during the continuance thereof and to the extent permitted by Applicable Law:

(a) **Appointment of Receiver** - Appoint by instrument in writing a receiver (which term shall include a receiver and manager or agent) of the Grantor and of all or any part of the Secured Property and remove or replace such receiver from time to time or may institute proceedings in any court of competent jurisdiction for the appointment of a receiver. Any such receiver appointed by the Agent, with respect to responsibility for its acts, shall, to the extent permitted by Applicable Law, be deemed the agent of the Grantor and not of the Agent. Where the Agent is referred to in this Article, the reference includes, where the context permits, any receiver so appointed and the officers, employees, servants or agents of such receiver;

(b) **Enter and Repossess** - Immediately and without notice enter the Grantor's premises and repossess, disable or remove the Secured Property;

- (c) **Retain the Secured Property** - Retain and administer the Secured Property in the Agent's sole and unfettered discretion;
- (d) **Dispose of the Secured Property** - Dispose of any Secured Property by public auction, private tender or private contract with or without notice, advertising or any other formality, all of which are hereby waived by the Grantor to the extent permitted by law. The Agent may, to the extent permitted by law, at its discretion establish the terms of such disposition, including, without limitation, terms and conditions as to credit, upset, reserve bid or price. All payments made pursuant to

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such dispositions shall be credited against the Obligations only as they are actually received. The Agent may, to the extent permitted by law, enter into, rescind or vary any contract for the disposition of any Secured Property and may dispose of any Secured Property again without being answerable for any loss occasioned thereby. Any such disposition may take place whether or not the Agent has taken possession of the Secured Property;

- (e) **Foreclosure** - Foreclose upon the Secured Property;
- (f) **Collection of Accounts** - On its own account or through a receiver, receiver-manager or agent and whether alone or in conjunction with the exercise of all or any other remedies contemplated by this Agreement, notify and direct Account Debtors and any Person obligated to the Grantor under a promissory note or bill of exchange to make all payments whatever to the Agent and the Agent shall have the right, at any time, to hold all amounts acquired from any Account Debtors and any Person obligated to the Grantor under a promissory note or bill of exchange and any Proceeds as part of the Secured Property. Upon such occurrence and during such continuance of an Event of Default, any payments received by the Grantor shall be held by the Grantor in trust for the Agent in the same medium in which received, shall not be commingled with any assets of the Grantor and shall, at the request of the Agent be turned over to the Agent not later than the next business day following the day of their receipt;
- (g) **Carry on Business** - Carry on or concur in the carrying on of all or any part of the business of the Grantor and may, in any event, to the exclusion of all others, including the Grantor, enter upon, occupy and use all premises of or occupied or used by the Grantor and use any of the personal property (which shall include fixtures) of the Grantor for such time and such purposes as the Agent sees fit. The Secured Parties shall not be liable to the Grantor for any neglect in so doing (other than gross negligence or wilful misconduct, or in respect of any rent, costs, charges, depreciation or damages in connection therewith);
- (h) **Payment of Encumbrances** - Pay any Liens or other claims that may exist or be threatened against the Secured Property. Any amount so paid together with costs, charges and expenses incurred in connection therewith shall be added to the Obligations;
- (i) **Dealing with Secured Property** - Seize, collect, realize, borrow money on the security of, release to third parties, sell (by way of public or private sale), lease or otherwise deal with the Secured Property in such manner, upon such terms and conditions, at such time or times and place or places and for such consideration as may seem to the Agent advisable and without notice to the Grantor. The Agent may charge on its own behalf and pay to others sums for reasonable expenses incurred and for services rendered (expressly including, without limitation, reasonable legal, consulting, broker, management, receivership and accounting fees) in or in connection with seizing, collecting, realizing, borrowing on the security of, selling or obtaining payment of the Secured Property and may add all such sums to the Obligations;

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- (j) **Exercise of Rights** - Elect by written notice to the Grantor and to an officer of the issuer of the Investment Property or to any securities intermediary or futures intermediary in respect of the Investment Property, as may be applicable, that all or part of the rights of the Grantor in the Investment Property including, without limitation, the right to vote, give consents, entitlement orders, instructions, directions, waivers or ratifications and take other actions and receive dividends or other distributions, shall cease, and upon such election all such rights shall become vested in the Agent or as it may direct; and
- (k) **Registration and Control** - Require that the Investment Property be registered in the name of the Agent or as it may direct, that delivery of the Investment Property be made to the Agent or that control of the Investment Property be obtained by the Agent, or as it may direct, in accordance with the provisions of the STA and the Agent or as it may direct and the Agent may then, without notice, exercise any and all voting and corporate rights at any meeting of the issuers thereof and exercise any and all rights, privileges or options pertaining to the Investment Property without the consent of the Grantor as if it were the absolute owner, including without limitation, the right to exchange at its discretion, any and all of the Investment Property upon the issuer's amalgamation, merger, consolidation, reorganization, recapitalization, restructuring or other readjustment or upon the issuer's exercise of any right, privilege or option pertaining to any of the Investment Property and to deposit and deliver any and all of the Secured Property with any committee, depository, transfer agent, registrar, securities intermediary, futures intermediary, clearing agency or other designated agency upon such terms and conditions as it may determine.

6.2 Assemble the Secured Property

To assist the Agent in the implementation of such rights and remedies, upon the occurrence and during the continuation of an Event of Default, the Grantor will, at its own risk and expense and promptly upon the Agent's request, assemble and prepare for removal of such items of the Secured Property as are selected by the Agent and as shall, in the Agent's sole judgment, have a value sufficient to cover all the Obligations.

6.3 Disposal of Investment Property

Without limiting the generality of Section 6.1(d), the Grantor acknowledges that when disposing of any Investment Property, the Agent may be unable to effect a public sale of any or all of the Investment Property, or to sell any or all of the securities as a control block sale at more than a stated premium to the "market price" of any shares, stock, instruments, warrants, bonds, debenture stock and other securities forming part of the Investment Property, by reason of certain prohibitions contained in the *Securities Act* (Ontario) and applicable laws of other jurisdictions, but may be compelled to resort to one or more private sales to a restricted group of purchasers who will be obliged to agree, among other things, to acquire such Investment Property as principal and to comply with other resale restrictions provided for in the *Securities Act* (Ontario) and other applicable laws. The Grantor acknowledges and agrees that any such private sale may result in prices and other terms less favourable to the seller than if such sale were a public sale or a control block sale and, notwithstanding such circumstances, agrees that any such private sale shall not be deemed to have been made in a commercially unreasonable manner solely by reason

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of its being a private sale. The Agent shall be under no obligation to delay a sale of any of the Investment Property for the period of time necessary to permit the issuer of such securities to qualify such Investment Property for public sale under the *Securities Act* (Ontario) or under applicable securities laws of other jurisdictions, even if the issuer

would agree to do so, or to permit a prospective purchaser to make a formal offer to all or substantially all holders of any class of securities forming any part of the Investment Property.

6.4 Allocation of proceeds

All monies collected or received by the Agent in respect of the Secured Property may be held by the Agent and may be applied on account of such parts of the Obligations in accordance with the Credit Agreement.

6.5 Payment of Deficiency

If the proceeds of realization are insufficient to pay all monetary Obligations, the Grantor shall forthwith pay or cause to be paid to the Agent any deficiency (the “**Deficiency**”) and the Agent may sue the Grantor to collect the amount of the Deficiency.

6.6 Power of Attorney

Upon the occurrence, and during the continuance of, an Event of Default, the Grantor hereby constitutes and appoints any vice-president or the president of the Agent from time to time, or any receiver appointed of the Grantor as provided for in this Agreement, the true and lawful attorney of the Grantor irrevocably with full power of substitution to do, make and execute all such documents, acts, matters or things with the right to use the name of the Grantor whenever and wherever it may be deemed necessary or expedient in connection with the exercise of its rights and remedies set forth in this Agreement. Without limiting the generality of the foregoing, the Agent or its agent is authorized to sign any financing statements and similar forms which may be necessary or desirable to perfect the Security Interest in any jurisdiction on behalf of the Grantor. The Grantor hereby declares that the irrevocable power of attorney granted hereby, being coupled with an interest, is given for valuable consideration.

6.7 Waivers and Extensions

The Agent may waive default or any breach by the Grantor of any of the provisions contained in this Agreement. No waiver shall extend to a subsequent breach or default, whether or not the same as or similar to the breach or default waived and no act or omission of the Agent shall extend to or be taken in any manner whatsoever to affect any subsequent breach or default of the Grantor or the rights of the Agent resulting therefrom. Any such waiver must be in writing and signed by the Agent to be effective.

Subject to the terms of the Credit Agreement, the Agent may also grant extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges, release the Secured Property to third parties and otherwise deal with the Grantor’s guarantors or sureties and others and with the Secured Property and other securities as the Agent may see fit without prejudice to the liability of the Grantor to the Agent, or the Agent’s rights, remedies and powers under this Agreement. No extension of time, forbearance, indulgence or other accommodation now, heretofore or hereafter given by the Agent to the Grantor shall

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operate as a waiver, alteration or amendment of the rights of the Agent or otherwise preclude the Agent from enforcing such rights.

6.8 Set off or Compensation

In addition to, and not in limitation of, any rights granted now or after the date of this Agreement at law, upon the occurrence and during the continuance of an Event of Default, the Agent may at any time and from time to time, without notice to the Grantor (it being expressly waived by the Grantor), set off and compensate and apply any and all Securities Accounts, Futures Accounts, deposits, general or special, term or demand, provisional or final, matured or unmatured, and any other indebtedness at any time owing by any Secured Party and appropriate any other properties or assets at any time held by any Secured Party, to or for the credit of or the account of the Grantor, against and on account of the Obligations, even if any of them are contingent or unmatured.

6.9 Indemnity

The Grantor shall indemnify and save harmless the Agent from any and all costs, expenses, liabilities or damages which may be reasonably incurred by the Agent in connection with:

- (a) the Secured Property;
- (b) the occurrence of an Event of Default; and
- (c) the enforcement of its rights under this Agreement.

6.10 Limitation of Liability

The Agent shall not be liable or accountable:

- (a) by reason of any entry into or taking possession of any of the Secured Property hereby charged or intended so to be or any part thereof, to account as mortgagee in possession or for anything except actual receipts, or for any loss on realization or any act or omission for which a secured party in possession might be liable; or
- (b) for any failure to exercise its remedies, take possession of, seize, collect, realize, sell, lease or otherwise dispose of or obtain payment for the Secured Property and shall not be bound to institute proceedings for such purposes or for the purpose of preserving any rights, remedies or powers of the Agent, the Grantor or any other Person in respect of same.

The Agent shall not by virtue of these presents be deemed to be a mortgagee in possession of the Secured Property. The Grantor hereby releases and discharges the Agent and the receiver from every claim of every nature, whether sounding in damages or not, which may arise or be caused to the Grantor or any Person claiming through or under the Grantor by reason or as a result of anything done by the Agent or any successor or assign claiming through or under the Agent or the receiver under the provisions of this Agreement unless such claim be the result of dishonesty, gross neglect, wilful misconduct or fraud.

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6.11 Rights and Remedies Cumulative

The Agent’s rights and remedies under this Agreement shall be cumulative and not in substitution for any of the Agent’s rights or remedies under the Credit Agreement, any other Loan Document or any Eligible Hedging Agreement, at law or in equity, whether or not the Agent or any other Secured Party has pursued or is pursuing any other rights or remedies.

6.12 Security Enforceable

The fact that this Agreement and the Credit Agreement provide for Events of Default and rights of acceleration shall not derogate from the nature of any Obligation which is payable on demand.

ARTICLE 7 MISCELLANEOUS

7.1 Notices

Any notice, consent or approval required or permitted to be given in connection with this Agreement shall be in writing and shall be sufficiently given if given in accordance with the Credit Agreement.

7.2 Further Assurances

The Grantor shall do all such things and provide all such assurances and shall provide such further documents and instruments reasonably required by the Agent as may be necessary or reasonably desirable to affect the purpose of this Agreement and carry out its provisions.

7.3 Filings

At the request of the Agent, the Grantor will promptly effect all registrations, filings, recordings and all re-registrations, re-filings and re-recordings of or in respect of this Agreement and the Security Interest created hereunder in all offices in all jurisdictions and at such times as may be necessary or reasonably desirable in perfecting, maintaining and protecting the validity, effectiveness and priority hereof. Notwithstanding the foregoing, the Agent is authorized, at its option, to make such registrations, filings or recordings or such re-registrations, re-filings or re-recordings against the Grantor as it may reasonably deem necessary or appropriate to perfect or secure the Security Interest created hereunder.

7.4 Amendments and Waivers

No amendment, supplement, modification, waiver or termination of this Agreement and, unless otherwise specified, no consent or approval by any party, shall be binding unless executed in writing in accordance with Section 13.5 of the Credit Agreement. Any waiver shall extend only to the particular circumstances described in the waiver.

7.5 Attornment

Each of the parties irrevocably submits to the non-exclusive jurisdiction of any court in the Province of Ontario for the purposes of any legal or equitable suit, action or proceeding in connection with this Agreement.

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7.6 Assignment and Enurement

This Agreement may be assigned by the Agent in accordance with the Credit Agreement and any such assignee shall be entitled to exercise any and all discretions, powers and rights of the Agent under this Agreement. Except as provided in the Credit Agreement, the Grantor may not assign this Agreement or any of its rights or obligations under this Agreement. All of the Agent's rights under this Agreement shall enure to the benefit of its successors (including any successor by reason of amalgamation) and assigns and all of the Grantor's obligations under this Agreement shall bind the Grantor and its successors (including any successor by reason of amalgamation) and permitted assigns.

7.7 Statutory Waivers

To the fullest extent permitted by law, the Grantor waives all of the rights, benefits and protections given by the provisions of any existing or future statute which imposes limitations upon the powers, rights or remedies of the Secured Parties or upon the methods of realization of security, including any seize or sue or anti-deficiency statute or any similar provisions of any other statute.

7.8 Reasonableness

The Grantor acknowledges that the provisions of this Agreement and, in particular, those respecting rights, remedies and powers of the Secured Parties and any receiver against the Grantor, its business and any Secured Property upon the occurrence and during the continuance of an Event of Default, are commercially reasonable and not manifestly unreasonable.

7.9 Termination

- (a) This Agreement shall be terminated forthwith by written agreement made between the Grantor and the Agent upon the earlier to occur of: (i) the date on which the Agent releases the Security Interest pursuant to Section 9.1(p)(vi) of the Credit Agreement, and (ii) the date on which all of the Obligations have been fully paid or satisfied.
- (b) Notwithstanding Section 7.9(a), this Agreement shall be automatically terminated on the date that is 30 days after the date of a Debt Rating Upgrade, provided that a Debt Rating Downgrade has not occurred during that period.
- (c) Upon termination of this Agreement in accordance with the provisions of this Section 7.9, the Agent shall, at the request and expense of the Grantor, make and do all such acts and things and execute and deliver all such financing statements, instruments, agreements and documents as the Grantor, acting reasonably, considers necessary or reasonably desirable to discharge the Security Interest, to release and discharge the Secured Property therefrom and to record such release and discharge in appropriate offices of public record.

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7.10 Execution and Delivery

This Agreement may be executed and delivered by facsimile or a pdf formatted email attachment.

7.11 Counterparts

This Agreement, or any amendment to it, may be executed in multiple counterparts, each of which shall be deemed to be an original agreement. All counterparts shall be construed together and shall constitute one and the same agreement.

[Remainder of Page Intentionally Left Blank]

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IN WITNESS OF WHICH the Grantor has duly executed this Agreement.

[NAME OF GRANTOR]

By: _____
Name:
Title:

By: _____
Name:
Title:

**CANADIAN IMPERIAL BANK OF
COMMERCE, as Agent**

By: _____
Name:
Title:

By: _____
Name:
Title:

SCHEDULE U

SECURITIES PLEDGE AGREEMENT(8)

THIS AGREEMENT is made as of 1 .

BETWEEN:

CANADIAN IMPERIAL BANK OF COMMERCE, in its capacity as administrative agent (the “**Agent**”) on behalf of (i) itself as Agent, (ii) the financial institutions named in Schedule A to the Fourth Amended and Restated Revolving Term Credit Agreement and (iii) the Hedge Lenders ((i), (ii) and (iii) are collectively, the “**Lenders**”), as the same may be amended, supplemented, restated, extended, renewed or superseded from time to time (the “**Credit Agreement**”), dated as of April 12, 2007 between the Agent, the Lenders, Celestica Inc. and the subsidiaries specified as designated subsidiaries, as borrowers, CIBC World Markets, as Joint Lead Arranger, RBC Capital Markets, as Joint Lead Arranger and Co-Syndication Agent and Banc of America Securities LLC, as Co-Syndication Agent.

- and -

1, a corporation incorporated under the laws of 1 (the “**Pledgor**”).

THEREFORE, the parties agree as follows:

**ARTICLE 1
INTERPRETATION**

1.1 Defined Terms

Unless the context otherwise requires or unless otherwise specified, all the terms used in this Agreement without initial capitals, which are defined in the PPSA or the STA (each as defined below), have the same meanings in this Agreement as in the PPSA or the STA, as applicable and all capitalized terms used and not otherwise defined shall have the meanings given to them in the Credit Agreement, and the following terms shall have the following meanings:

(8) Note: Form of Securities Pledge Agreement to be provided by Canadian Grantors. Securities Pledge Agreements to be provided by other Grantors to be substantially in the same form with such changes thereto as agreed upon by Lenders’ Counsel and Borrowers’ Counsel and as are otherwise reasonable or necessary to grant the Agent a perfected security interest in such other Grantors’ Pledged Securities.

“**Agreement**” means this securities pledge agreement, including all schedules and all amendments or restatements as permitted and references to “Article”, “Section”, or “Schedule” means the specified article, section or schedule of this Agreement;

“**Issuers**” means (i) those issuers listed on Schedule A and (ii) any other issuers that shall after the date of this Agreement be a Material Restricted Subsidiary and the Shares of such issuer are directly held by the Pledgor, which issuers shall be added to Schedule A;

“**Obligations**” has the meaning given to such term in the Security Agreement;

“**PPSA**” means the *Personal Property Security Act*, R.S.O. 1990, c. P. 10;

“**Pledged Securities**” means all the securities in the capital of the Issuers held from time to time by the Pledgor, including all warrants and options relating to such securities and any substitutions, additions and proceeds arising out of any consolidation, subdivision, reclassification, conversion, stock dividend or similar increase or decrease in or alteration of the capital of any Issuer or any other event and any securities acquired pursuant to the exercise of a right or offer granted or made to the Pledgor to the extent that any such right or offer arises out of the ownership of any securities in the capital of any Issuer;

“**STA**” means the *Securities Transfer Act*, 2006, S.O. 2006, c.8;

“**Secured Parties**” means the Agent and the Lenders, together with their respective successors and assigns; and

“**Security Agreement**” means the General Security Agreement dated as of the date hereof between the parties hereto, as the same may be amended, supplemented, restated, extended, renewed or superseded from time to time.

1.2 Governing Law

This Agreement is made under and shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable in the Province of Ontario.

1.3 Headings

Headings of Articles and Sections are inserted for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.4 Number and Gender

Unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders.

1.5 Paramourncy

If there is a conflict, inconsistency, ambiguity or difference between any provision of this Agreement and the Credit Agreement, the provisions of the Credit Agreement shall prevail, and

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such provision of this Agreement shall be amended to the extent only to eliminate any such conflict, inconsistency, ambiguity or difference. Any right or remedy in this Agreement which may be in addition to the rights and remedies contained in the Credit Agreement shall not constitute a conflict, inconsistency, ambiguity or difference.

1.6 Severability

If, in any jurisdiction, any provision of this Agreement or its application to any party or circumstance is restricted, prohibited or unenforceable, such provision shall, as to such jurisdiction, be ineffective only to the extent of such restriction, prohibition or unenforceability without invalidating the remaining provisions of this Agreement and without affecting the validity or enforceability of such provision in any other jurisdiction or without affecting its application to other parties or circumstances.

1.7 No Strict Construction

The language used in this Agreement is the language chosen by the parties to express their mutual intent, and no rule of strict construction shall be applied against any party.

1.8 Time

Time is of the essence in the performance of the parties' respective obligations.

1.9 Schedules

The schedules to this Agreement, as listed below, are an integral part of this Agreement:

| Schedule | Description |
|----------|-------------|
| A | Issuers |

ARTICLE 2 PLEDGE

2.1 Pledge

As continuing security for the due and timely payment and performance by the Pledgor of each of the Obligations, the Pledgor hereby grants to the Agent a first security interest in the Pledged Securities. The Pledgor hereby delivers to and deposits with the Agent the security certificates, if any, evidencing the Pledged Securities together with all other documents (including, if applicable, a copy of the resolution of the board of directors approving the transfer of the Pledged Securities to the Agent or a nominee of the Agent upon the enforcement of the Agent's rights hereunder) and effective endorsements to enable the Agent or its agent or its nominee, as the Agent may direct to be registered as the owner of and to transfer or sell the Pledged Securities upon any enforcement of the Agent's rights and remedies hereunder. If the Pledgor acquires any security certificates evidencing the Pledged Securities after the date of this

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Agreement, the Pledgor shall promptly deliver the security certificates to the Agent or its nominee, as the Agent may direct, together with all other documents and effective endorsements to enable the Agent or its agent or nominee to be registered as the owner of and to transfer or sell or cause to be transferred or sold such Pledged Securities upon any enforcement of the Agent's rights and remedies hereunder. To the extent that any of the Pledged Securities are uncertificated securities registered in the name of the Pledgor or its nominees or agent, the Pledgor shall:

- (a) cause the Issuer of the Pledged Securities to register the Agent or its agent or nominee, as the Agent may direct, as the registered owner of such Pledged Securities; or
- (b) deliver to the Agent an irrevocable agreement of the Issuer of such Pledged Securities satisfactory to the Agent that the Issuer will comply with instructions that are originated by the Agent without the further consent of the Pledgor.

2.2 Attachment and Value

The Pledgor acknowledges:

- (a) receipt of a copy of this Agreement;
- (b) that value has been given for the granting of the Security Interest hereunder;
- (c) that the security interest created by this Agreement attaches to the Pledged Securities immediately upon execution and delivery of this Agreement to the Agent and that the Agent and the Pledgor have not agreed to postpone the time of attachment of the pledge of the Pledged Securities by the Pledgor;
- (d) if the Pledgor does not acquire rights or interests in any of the Pledged Securities until after the execution and delivery of this Agreement, the security interest created by this Agreement shall attach to those Pledged Securities when the Pledgor acquires rights in those Pledged Securities;
- (e) that neither the execution of, nor filing with respect to, this Agreement shall obligate any Secured Party to make any advance or loan or further advance, or bind any Secured Party to grant or extend any credit to the Pledgor; and
- (f) that the security interest created by this Agreement shall be effective whether all or part of the Obligations shall be advanced before, upon or after the date of execution of this Agreement.

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ARTICLE 3 PROVISIONS RELATING TO THE PLEDGED SECURITIES

3.1 Voting Rights

- (a) Until the occurrence of an Event of Default which is continuing, the Pledgor shall be entitled to exercise all voting rights in respect of the Pledged Securities and to give consents, waivers, directions, notices and ratifications and to take other action in respect thereof, provided, however, that no votes shall be cast or consent, waiver, directions, notice or ratification given or action taken which would:
 - (i) be prejudicial to any Secured Party's security interest granted hereunder;
 - (ii) restrict the transferability of the Pledged Securities; or
 - (iii) be inconsistent with or violate any provisions of this Agreement, the Credit Agreement or any other Loan Document.
- (b) Until the occurrence of an Event of Default which is continuing, if any of the Pledged Securities are registered in the Agent's, its agent's or nominee's name, the Agent, on the Pledgor's written request, shall execute and deliver or cause its agent or nominee to execute and deliver to the Pledgor suitable proxies, voting powers or powers of attorney in favour of the Pledgor or its nominee or nominees for voting, giving consents, waivers, directions, notices or ratifications or taking any other action the Pledgor is permitted to take in respect of the Pledged Securities.

3.2 Dividends and Distributions

Until the occurrence of an Event of Default which is continuing, the Pledgor shall be entitled to receive and deal with (except as expressly restricted by this Agreement, the Credit Agreement or any other Loan Document) any interest and regular cash dividends, distributions or other payments (whether in cash, security (as such term is defined in the PPSA) or other property) at any time payable on or with respect to the Pledged Securities, and the Agent shall immediately deliver to the Pledgor the interest or regular cash dividends, distributions or other payments received by the Agent.

3.3 Rights and Duties of the Agent

Upon the occurrence of an Event of Default which is continuing, all of the Pledgor's rights pursuant to Sections 3.1 and 3.2 shall cease and the Agent may enforce any of the Pledgor's rights with respect to the Pledged Securities. Upon an Event of Default which is continuing, the Pledgor shall and shall be deemed to hold all Pledged Securities not under the control of the Agent in trust, separate and apart from other property and assets of the Pledgor, for the benefit of

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the Agent until all Obligations owing by the Pledgor to the Agent have been paid in full, and shall forthwith transfer control of such Pledged Securities to the Agent, or its nominee or agent, as the Agent may direct. The Agent and its nominee shall not have any duty of care with respect to the Pledged Securities other than to use the same care in the custody and preservation of the Pledged Securities as it would with its own property. The Agent or its nominee is not required to take any steps to defend or preserve the Pledgor's rights against the claims or demands of others. The Agent or its nominee, however, shall use its reasonable best efforts to give the Pledgor notice of any claim or demand of which it becomes aware to permit the Pledgor to have a reasonable opportunity to defend or contest the claim or demand.

ARTICLE 4 REPRESENTATIONS, WARRANTIES AND COVENANTS

4.1 Representations and Warranties

The Pledgor represents and warrants to the Agent as follows and acknowledges that each Secured Party is relying on the representations and warranties in advancing or continuing to advance credit to the Borrowers pursuant to the Credit Agreement:

- (a) it is the registered and beneficial owner of, and has good title to, the Pledged Securities subject only to the security interest created by this Agreement or any other security agreement made by the Pledgor in favour of the Agent;

- (b) the Pledged Securities represent all of the issued and outstanding capital stock of the Issuers and all of the warrants and options, if any, relating thereto as of the date of this Agreement(9);
- (c) the Pledged Securities have been duly issued and are outstanding as fully paid and non-assessable Securities and all of the warrants and options, if any, relating thereto are in full force and effect;
- (d) it has full power, authority and right to enter this Agreement and to pledge the Pledged Securities and to grant to the Agent the security interest created by this Agreement;
- (e) this Agreement has been duly executed and delivered by it and constitutes an enforceable obligation against the Pledgor in accordance with its terms;

(9) Note: To be considered in respect of each Issuer.

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- (f) it has not granted any right to acquire an interest in any of the Pledged Securities, except to the Agent pursuant to this Agreement or any other security agreement made by the Pledgor in favour of the Agent;
- (g) it has not granted a Lien in the Pledged Securities to any Person except to the Agent pursuant to this Agreement or any other security agreement made by the Pledgor in favour of the Agent;
- (h) none of the rights of the Pledgor arising as the legal and beneficial owner of the Pledged Securities have been surrendered, cancelled or terminated;
- (i) there is no default or dispute existing in respect of the Pledged Securities;
- (j) there are no Liens or other adverse claims affecting the Pledged Securities except those granted in favour of the Agent;
- (k) the jurisdiction of the Issuers and their registered or head offices are set out in Schedule A to this Agreement;
- (l) no delivery has occurred in respect of any Pledged Securities that constitute uncertificated securities of the Issuers other than any delivery in favour of the Agent;
- (m) the Pledgor has not given its consent to any agreement whereby any of the Issuers agree to comply with instructions that are originated by any Person other than the Pledgor in respect of any Pledged Securities that constitute uncertificated securities, without the further consent of the Pledgor, other than any such consents given by the Pledgor relating to agreements for instructions to be originated by the Agent; and
- (n) all of the Pledged Securities listed in Schedule A as certificated securities are certificated and the partnership agreement, articles of association or other constating documents, as applicable, of each Issuer which is a partnership or limited liability company expressly states that the Pledged Securities thereof are "securities" for the purposes of the STA.

4.2 Covenants

The Pledgor covenants with the Agent that:

- (a) if the Pledgor shall become entitled to receive or shall receive any security certificate, option or right in respect of the Pledged Securities, the Pledgor shall accept same as the Agent's agent, hold same in trust for the Agent and immediately deliver same to the Agent (or to the Agent's agent or nominee, as the Agent may direct) in the exact form received, together with the documents and

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effective endorsements to enable the Agent or its nominee to be registered as owner, to be held by the Agent as additional security for the Obligations. Upon the occurrence of an Event of Default which is continuing, any sums paid in respect of the Pledged Securities upon the liquidation or dissolution of any Issuers shall be paid to the Agent to be held by it as part of the Pledged Securities. Upon the occurrence of an Event of Default which is continuing, in case any distribution of capital shall be made in respect of the Pledged Securities or any property shall be distributed with respect to the Pledged Securities pursuant to the recapitalization, reclassification or reorganization of the capital of any Issuers, the property so distributed shall be delivered to the Agent or its agent or nominee as the Agent may direct to be held by it as part of the Pledged Securities. Upon the occurrence of an Event of Default which is continuing, if any money or property paid or distributed in respect of the Pledged Securities shall be received by the Pledgor, the Pledgor shall, until such money or property is paid or delivered to the Agent, hold the money or property in trust for the Agent, segregated from other funds of the Pledgor, as part of the Pledged Securities;

- (b) the Pledgor shall not permit any issuance of additional securities in the capital of the Issuers unless all additional securities are immediately upon their issuance pledged in favour of the Agent and the Pledgor does, or causes to be done, all such acts and things and provides such agreements, instruments and documents necessary for the Agent to obtain control of such additional securities within the meaning of the STA;
- (c) the Pledgor shall promptly notify the Pledgor of any Lien or other claim made or asserted against any of the Pledged Securities and shall use commercially reasonable efforts to defend the Agent's security interest in the Pledged Securities against the claims and demands of all other Persons including any adverse claims as defined in the STA;
- (d) the Pledgor will have good title to any other shares or assets that become Pledged Securities subject only to the security interest created by this Agreement and the Security Agreement;
- (e) the Pledgor shall not grant a security interest or any other Lien in the Pledged Securities to any other Person other than the Agent;
- (f) the Pledgor shall forthwith notify the Agent of any change of jurisdiction (including a change in the jurisdiction of incorporation or organization), name, registered office, head office, chief executive office or principal place of business of the Pledgor or an Issuer; and
- (g) the Pledgor shall not:

- (i) deliver any Pledged Securities that constitute uncertificated securities to any Person other than the Agent; or

- (ii) consent to any agreement whereby any Issuer agrees to comply with instructions that are originated by any Person other than the Agent in respect of any Pledged Securities that constitute uncertificated securities.

ARTICLE 5
DEFAULT AND REMEDIES

5.1 Rights and Remedies

Upon the occurrence of an Event of Default which is continuing, the security interest created by this Agreement shall immediately become enforceable and, to the extent permitted by Applicable Law, the Agent may take any one or more of the following actions:

- (a) realize upon and dispose of all or part of the Pledged Securities by private sale, public sale or otherwise upon such conditions as the Agent may determine, and apply and, subject to the Credit Agreement, allocate any proceeds arising from the realization of the Pledged Securities to the Obligations in any manner as the Agent, in its absolute discretion, shall deem appropriate;
- (b) irrevocably elect to retain all or part of the Pledged Securities by giving notice to the Pledgor;
- (c) exercise any or all of the rights and privileges attaching to the Pledged Securities and deal with the Pledged Securities as if the Agent were the absolute owner of the Pledged Securities (including causing the Pledged Securities to be registered in the name of the Agent or its agent or nominee as the Agent may direct) and collect, draw upon, receive, appropriate and sell all or any part of the Pledged Securities;
- (d) file proofs of claims or other documents as may be necessary or desirable to have its claim lodged in any bankruptcy, winding-up, liquidation, arrangement, dissolution or other proceedings (voluntary or otherwise) relating to the Pledgor;
- (e) commence legal action against the Pledgor for the difference, if any, between (i) all amounts owing by the Pledgor in respect of the Obligations and (ii) the proceeds received by the Agent on a disposition of the Pledged Securities;
- (f) in the Pledgor's name and at the Pledgor's expense, perform any and all of the Pledgor's obligations or covenants relating to the Pledged Securities and enforce performance by any other parties of their obligations in relation to the Pledged Securities and settle any disputes relating to the Pledged Securities with other parties upon terms that the Agent deems appropriate, in its discretion;
- (g) appoint any Person to be a receiver (which term shall include a receiver and manager) of all or part of the Pledged Securities and remove any receiver and

appoint another receiver (any receiver shall have the authority to do any of the acts specified in Subsections 5.1(c), (d), (f), (h) and (i) of this Agreement and to take possession of and collect dividends, interest, distributions and other payments payable to the Pledgor in respect of the Pledged Securities and pay all charges in respect of the Pledged Securities);

- (h) subject to the Credit Agreement, apply any dividends, distributions and other payments payable to the Pledgor in respect of the Pledged Securities to the Obligations, in any manner as the Agent, in its absolute discretion, shall deem appropriate; or
- (i) take any other action permitted by this Agreement, by law or in equity.

5.2 Sale of Pledged Securities

Any sale pursuant to Section 5.1 may be made, with or without any special condition as to the upset price, reserve bid, title or evidence of title or other matter and may be made from time to time as the Agent in its sole discretion deems appropriate, with power to vary or rescind any sale or buy in at any public sale and resell without being answerable for any loss. The Agent may sell the Pledged Securities for a consideration payable by instalments either with or without taking security for the payment of the instalments and may make and deliver to any purchaser good and sufficient conveyances of the Pledged Securities and give receipts for the purchase money, and the sale shall be a perpetual bar, both at law and in equity, against the Pledgor and all those claiming an interest by, from, through or under the Pledgor. If there is a sale pursuant to Section 5.1, the Pledgor agrees to provide all information, certificates and consents required under applicable securities laws or under the rules, by-laws or policies of the exchange(s) on which any of the Pledged Securities may be listed and posted for trading to permit the sale of the Pledged Securities in compliance with such applicable securities laws, rules, by-laws or policies.

The Pledgor recognizes that the Agent may be unable to effect a public sale of any or all of the Pledged Securities, or to sell any or all of the Pledged Securities as a control block sale at more than a stated premium to the "market price" of any securities forming part of the Pledged Securities, by reason of certain provisions contained in the *Securities Act* (Ontario) and applicable securities laws of other jurisdictions but may be compelled to resort to one or more private sales to a restricted group of purchasers who will be obligated to agree, among other things, to acquire the Pledged Securities as principal and to comply with any other resale restrictions provided for in the *Securities Act* (Ontario) and other applicable securities laws. The Pledgor agrees that any private sale may result in prices and other terms less favourable to the seller than if the sale were a public sale or a control block sale and, notwithstanding such circumstances, agrees that any private sale shall not be deemed to have been made in a commercially unreasonable manner solely by reason of its being a private sale. The Agent shall be under no obligation to delay a sale of any of the Pledged Securities for the period of time necessary to permit the Issuer of the Pledged Securities to qualify the Pledged Securities for public sale under the *Securities Act* (Ontario) or under applicable securities laws of other jurisdictions even if the Issuer would agree to do so, or to permit a prospective purchaser to make a formal offer to all or substantially all holders of any class of securities forming any part of the Pledged Securities.

5.3 Secured Parties' Obligations

The Agent shall not be under any obligation, or be liable or accountable for any failure, to:

- (a) enforce payment or performance of the Obligations;

- (b) seize, collect, realize or obtain payment with respect to the Pledged Securities;
- (c) preserve any rights of the Agent, the Pledgor or any other Person in respect of the Pledged Securities;
- (d) exercise or exhaust any of its rights and remedies under this Agreement or with respect to the Pledged Securities;
- (e) protect the Pledged Securities from depreciating in value or becoming worthless; and
- (f) institute proceedings for any of the purposes listed above.

The Agent shall not be responsible for any loss occasioned by:

- (a) any sale or other dealing with the Pledged Securities; or
- (b) the retention of, or failure to sell or otherwise deal with the Pledged Securities,

except as a result of the Agent's dishonesty, gross negligence, wilful misconduct or fraud.

5.4 Rights and Remedies Cumulative

The Agent's rights and remedies under this Agreement shall be cumulative and not in substitution for any of the Agent's rights or remedies under the Credit Agreement, any other Loan Document or any Eligible Hedging Agreement, at law or in equity, whether or not the Agent or any other Secured Party has pursued or is pursuing any other rights or remedies.

ARTICLE 6 ACKNOWLEDGEMENTS BY THE PLEDGOR

6.1 Acknowledgements

The Pledgor agrees:

- (a) that this Agreement may be assigned in whole or in part only in accordance with the provisions of the Credit Agreement and, in the event of any assignment, the assignee(s) shall be entitled to all the Agent's rights and remedies, and subject to the Agent's obligations, in this Agreement; and

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- (b) not to assert against the Agent or any assignee of the Agent, and acknowledges that the Agent's or any assignee's rights shall not be subject to, any claim, defense, demand, set-off or other right, whether at law or in equity, that the Pledgor has or may have against the Agent or any assignee.

ARTICLE 7 WAIVER

7.1 Agent Waiver

The Agent may, at any time by notice to the Pledgor:

- (a) waive, in whole or in part, any breach of this Agreement, any Event of Default or any of the Secured Parties' rights and remedies hereunder;
- (b) subject to Section 9.9, grant releases and discharges to the Pledgor in respect of the Pledged Securities; or
- (c) subject to the Credit Agreement, otherwise deal with the Pledgor or with the Pledged Securities and any security held by the Agent,

all as the Agent may see fit without prejudice to the liability of the Pledgor to the Agent or the Agent's rights under this Agreement. The Pledgor agrees that any waiver shall not be a waiver of any other or subsequent breach of this Agreement or Event of Default and that any failure by the Agent to exercise any of its rights or remedies hereunder or under any other Loan Document shall in no way affect or impair the Agent's security interest or the Agent's rights and remedies hereunder or under any other Loan Document.

ARTICLE 8 POWER OF ATTORNEY

8.1 Grant

Upon the occurrence and during the continuance of an Event of Default, the Pledgor irrevocably constitutes and appoints the Agent as the true and lawful attorney of the Pledgor with power of substitution in the name of the Pledgor to do any and all acts and things, complete any endorsements or registrations or execute and deliver all agreements, documents and instruments as the Agent, acting reasonably, considers necessary or reasonably desirable to carry out the provisions and purposes of this Agreement or to exercise its rights and remedies hereunder. The Pledgor ratifies and agrees to ratify all acts of any attorney taken or done in accordance with this Section 8.1. This power of attorney being coupled with an interest shall not be revoked or terminated by any act and shall remain in full force and effect until this Agreement has been terminated.

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ARTICLE 9 MISCELLANEOUS

9.1 Notice

Any notice, consent or approval required or permitted to be given in connection with this Agreement shall be in writing and shall be sufficiently given if given in accordance with the Credit Agreement.

9.2 Further Assurances

The Pledgor shall do all such things and provide all such assurances and shall provide such further documents and instruments reasonably required by the Agent as may be necessary or desirable to effect the purpose of this Agreement and carry out its provisions.

9.3 Filings

At the request of the Agent, the Pledgor will promptly effect all registrations, filings, recordings and all re-registrations, re-filings and re-recordings of or in respect of this Agreement and the security interests created hereunder in all offices in all jurisdictions and at such times as may be necessary or reasonably desirable in perfecting, maintaining and protecting the validity, effectiveness and priority hereof. Notwithstanding the foregoing, the Agent is authorized, at its option, to make such registrations, filings or recordings or such re-registrations, re-filings or re-recordings against the Pledgor as it may reasonably deem necessary or appropriate to perfect or secure the security interest created hereunder.

9.4 Amendments and Waivers

No amendment, supplement, modification, waiver or termination of this Agreement and, unless otherwise specified, no consent or approval by any party, shall be binding unless executed in writing in accordance with Section 13.5 of the Credit Agreement. Any waiver shall extend only to the particular circumstances described in the waiver.

9.5 Attornment

Each of the parties irrevocably submits to the non-exclusive jurisdiction of any court in the Province of Ontario for the purposes of any legal or equitable suit, action or proceeding in connection with this Agreement.

9.6 Assignment and Enurement

This Agreement may be assigned by the Agent in accordance with the Credit Agreement and any such assignee shall be entitled to exercise any and all discretions, powers and rights of the Agent under this Agreement. Except as provided in the Credit Agreement, the Pledgor may not assign this Agreement or any of its rights or obligations under this Agreement. All of the Agent’s rights under this Agreement shall enure to the benefit of its successors (including any successor by reason of amalgamation) and assigns and all of the Pledgor’s obligations under this Agreement

shall bind the Pledgor and its successors (including any successor by reason of amalgamation) and permitted assigns.

9.7 Statutory Waivers

To the fullest extent permitted by law, the Pledgor waives all of the rights, benefits and protections given by the provisions of any existing or future statute which imposes limitations upon the powers, rights or remedies of the Secured Parties or upon the methods of realization of security, including any seize or sue or anti-deficiency statute or any similar provisions of any other statute.

9.8 Reasonableness

The Pledgor acknowledges that the provisions of this Agreement and, in particular, those respecting rights, remedies and powers of the Secured Parties and any receiver against the Pledgor, its business and any Pledged Securities upon the occurrence and during the continuance of an Event of Default, are commercially reasonable and not manifestly unreasonable.

9.9 Termination

- (a) This Agreement shall be terminated forthwith by written agreement made between the Pledgor and the Agent upon the earlier to occur of: (i) the date on which the Agent releases the security interest granted by the Pledgor under this Agreement pursuant to Section 9.1(p)(vi) of the Credit Agreement, and (ii) the date on which all of the Obligations have been fully paid or satisfied.
- (b) Notwithstanding Section 9.9(a), this Agreement shall be automatically terminated on the date that is 30 days after the date of a Debt Rating Upgrade, provided that a Debt Rating Downgrade has not occurred during that period.
- (c) Upon termination of this Agreement in accordance with the provisions of this Section 9.10, the Agent shall, at the request and expense of the Pledgor, make and do all such acts and things and execute and deliver all such financing statements, instruments, agreements and documents as the Pledgor, acting reasonably, considers necessary or reasonably desirable to discharge the Security Interest, to release and discharge the Pledged Securities therefrom and to record such release and discharge in appropriate offices of public record.

9.10 Execution and Delivery

This Agreement may be executed and delivered by facsimile or a pdf formatted email attachment.

9.11 Counterparts

This Agreement, or any amendment to it, may be executed in multiple counterparts, each of which shall be deemed to be an original agreement. All counterparts shall be construed together and shall constitute one and the same agreement.

IN WITNESS OF WHICH the parties have executed this Agreement.

[NAME OF PLEDGOR]

By: _____

Name:
Title:
By: _____
Name:
Title:

**CANADIAN IMPERIAL BANK OF
COMMERCE, as Agent**

By: _____
Name:
Title:

By: _____
Name:
Title:

Each Corporation agrees to be bound by the terms of this Agreement.

[CORPORATION]

By: _____
Name:
Title:

By: _____
Name:
Title:

[CORPORATION]

By: _____
Name:
Title:

By: _____
Name:
Title:

**SCHEDULE A
ISSUERS**

[Pledgor to complete.]

| Issuer Name | Certificate Number | Number of Shares | Class of Shares | Percentage of Outstanding Shares held by Pledgor |
|--------------------|-------------------------------|-----------------------------|------------------------|---|
| | | | | |
| | | | | |

EXECUTIVE EMPLOYMENT AGREEMENT

MEMORANDUM OF AGREEMENT amended and restated as of the 26 day of July, 2007.

BETWEEN

CELESTICA INC., a corporation incorporated under the laws of the Province of Ontario (hereinafter called the "Corporation"),

OF THE FIRST PART,

- and -

CELESTICA INTERNATIONAL INC., a corporation incorporated under the laws of the Province of Ontario, (hereinafter included as the Corporation),

OF THE SECOND PART,

- and -

CELESTICA CORPORATION, a Delaware Corporation (hereinafter included as the Corporation)

OF THE THIRD PART,

- and -

CRAIG H. MUHLHAUSER of Princeton, New Jersey, (hereinafter called the "Executive"),

OF THE FOURTH PART.

WHEREAS the Executive has been appointed as Chief Executive Officer of the Corporation, and the Corporation wishes to continue to retain the services of the Executive to provide the services hereinafter described and the Executive wishes to continue to provide the Executive's services to the Corporation as hereinafter set forth;

AND WHEREAS the Corporation considers the establishment and maintenance of a sound and vital management to be essential to protecting and enhancing the best interests of the Corporation and its shareholders;

AND WHEREAS the Executive is a key management executive of the Corporation and is considered by the Corporation and the Board of Directors to be a valued employee of the Corporation who has acquired outstanding and special skills and abilities and an

extensive background in and knowledge of the Corporation's business and industry in which it operates;

AND WHEREAS the Corporation recognizes the valuable services that the Executive has provided and is continuing to provide to the Corporation and believes that it is reasonable and fair to the Corporation that the Executive receive fair treatment upon any termination of the Executive's employment, in the event of a Change in Control (as hereinafter defined) and upon any termination of the Executive's employment during the Change in Control Period (as hereinafter defined);

AND WHEREAS the Executive also acknowledges that the Executive's position has given and will give the Executive access to confidential information of substantial importance to the Corporation, its subsidiaries and their businesses and that the compensation set out in this Agreement is, in part, in consideration for the covenants set out in Section 13;

AND WHEREAS the Corporation and the Executive acknowledge that the compensation and benefits payable hereunder are reasonable having regard to all of the circumstances of the Executive's employment with the Corporation and having regard to executives in similar circumstances in large global companies;

AND WHEREAS the Board (as hereinafter defined) has determined that it would be in the best interests of the Corporation to induce the Executive to continue in the employ of the Corporation by indicating, among other things, that in the event of a Change in Control, the Executive would have certain automatic and guaranteed rights;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the mutual covenants and agreements herein contained and for other good and valuable consideration, the parties agree as follows:

1. Interpretation

In this Agreement, unless the context otherwise requires or unless otherwise indicated, the following terms shall have the following meanings, respectively:

- (a) "Annual Base Salary" shall have the meaning set out in section 4(a) of this Agreement;
- (b) "Board" means the Board of Directors of Celestica Inc.;
- (c) "Cause" means the occurrence of any of the following:
 - (i) wilful and continued failure by the Executive to substantially perform the Executive's duties (other than any such failure resulting from the Executive's incapacity due to physical or mental illness or the Executive becoming Permanently Disabled) after a demand for substantial

the manner in which such failure might be corrected, granting the Executive a period of thirty (30) days in which to effect such correction;

- (ii) wilful engaging by the Executive in gross misconduct which is demonstrably and materially injurious to the Corporation, monetarily or reputationally;
- (iii) the conviction of the Executive of a criminal offence involving dishonesty, fraud or other moral turpitude;
- (iv) the receipt by or on behalf of the Executive or any member of the Executive's immediate family (other than in his or her capacity as a shareholder of the Corporation) of any personal profit arising out of or in connection with a transaction to which the Corporation is a party without making disclosure to and obtaining the prior written consent of the Corporation;
- (v) the failure by the Executive to honour the Executive's fiduciary duties to the Corporation; or,
- (vi) the failure by the Executive to follow the direct written instructions of the Board, provided that such instructions are not contrary to applicable law or generally accepted moral standards of business conduct,

provided that for purpose of subparagraphs (i) and (ii) of this definition, no act or failure to act by the Executive shall be considered "wilful" unless done or omitted to be done by the Executive in bad faith and without reasonable belief that the Executive's action or omission was in the best interests of the Corporation;

- (d) "Change in Control" means the occurrence of any of the following after the date hereof:
 - (i) the acquisition by any person or entity of beneficial ownership of securities of the Corporation which, directly or following conversion or exercise thereof, would entitle the holder thereof to cast more than 50% of the votes attaching to all securities of the Corporation which may be cast to elect directors of the Corporation, other than the additional acquisition of securities by a person or entity beneficially owning such number of securities on the date hereof;
 - (ii) the consummation of an amalgamation, arrangement, merger or other consolidation of the Corporation with another corporation or a sale of all or substantially all of the assets of the Corporation to another corporation pursuant to which, and such that, all the persons who, immediately prior to such consummation, beneficially owned all of the securities of the Corporation which could be cast to elect directors of the Corporation, immediately thereafter do not beneficially own securities of the successor or continuing corporation or corporation acquiring the assets

which would entitle such persons, directly or following conversion or exercise thereof, to cast more than 50% of the votes attaching to all securities of such corporation which may be cast to elect directors of that corporation (other than any such amalgamation, arrangement, merger or combination or sale of all or substantially all of the assets which is proposed or initiated, directly or indirectly, by the Executive (other than solely in the Executive's capacity as an executive or member of the Board acting in the best interests of the Corporation) or any corporation controlled by the Executive); or

- (iii) Incumbent Directors ceasing to constitute a majority of the Board as a consequence of the solicitation of proxies through a proxy circular by persons other than management;
- (e) "Change in Control Period" means the Potential Change in Control Period and the three year period after a Change in Control;
- (f) "Corporation" shall have the meaning first set forth above;
- (g) "CSUP" means the Celestica Share Unit Plan made as of December 9, 2004 as amended from time to time;
- (h) "Date of Grant" shall have the meaning given to such term in the LTIP;
- (i) "Date of Termination" means the date of termination of the employment of the Executive by the Corporation or the date on which the Executive provides notice to the Corporation of the termination of the Executive's employment for Good Reason or Good Reason upon Change in Control and for greater certainty, any such date of termination shall be considered to be the last date on which the Executive is actively at work and shall not be considered to extend to a later date by virtue of any statutory, contractual or common law notice period;
- (j) "Employment Period" shall have the meaning set out in section 12(b) of this Agreement;
- (k) "Executive" shall have the meaning first set forth above;
- (l) "Good Reason" for the termination by the Executive of the Executive's employment shall mean the occurrence (without the Executive's express written consent) of any one of the following acts by the Corporation, or failure by the Corporation to act, unless, in the case of any act or failure to act described in subsection (i), (v), (vi) or (viii) below, such act or failure to act is corrected prior to the Date of Termination:
 - (i) the assignment to the Executive of any duties inconsistent in any material adverse respect with the Executive's position, authority, duties or responsibilities as they exist immediately prior to the time of such assignment or the diminution or adverse alteration in any material

adverse respect of such position, authority, duties or responsibilities, excluding, for this purpose, an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Corporation promptly after receipt of notice thereof given by Executive;

- (ii) any reduction in the Executive's rate of Annual Base Salary, or any reduction in the Executive's total cash and stock compensation opportunities, including Annual Base Salary and incentives, for any fiscal year to less than 100% of the total cash and stock compensation opportunities made available to the Executive immediately prior to the time of such reduction, except a reduction applicable to all executives as determined by the Board in good faith and consistent with past practice and current market conditions or failure by the Corporation to provide the Executive with total cash and stock compensation opportunities in accordance with any agreement between the Executive and the Corporation;
- (iii) the relocation of the Executive's principal place of employment to a location more than 100 kilometres outside the City of Toronto except for required travel on the Corporation's business to an extent substantially consistent with the Executive's present business travel obligations;
- (iv) the failure by the Corporation to pay to the Executive any portion of the Executive's current compensation within seven days of the date such compensation is due;
- (v) the failure by the Corporation to continue to effect any compensation plan in which the Executive participates immediately prior to the time of such failure which is material to the Executive's total compensation, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Corporation to continue the Executive's participation therein (or in such substitute or alternative plan) on a basis not materially less favourable, both in terms of the amount or timing of payment of benefits provided and the level of the Executive's participation relative to other participants, as existed immediately prior to the time of such failure;
- (vi) save and except where the Corporation implements a change to the benefits referred to in this paragraph that applies to all of the Corporation's employees in receipt of the benefit as determined by the Board in good faith and consistent with past practice and current market conditions, the failure by the Corporation to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Corporation's pension, life insurance, medical, dental, health and accident or disability plans, programs or arrangements in which the Executive is participating immediately prior to the time of such failure or the taking of any other action by the

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Corporation which would directly or indirectly materially reduce any of such benefits or deprive the Executive of any material fringe benefit enjoyed by the Executive immediately prior to the time of the taking of such action, or the failure by the Corporation to continue to provide the Executive with the number of paid vacation days to which the Executive is entitled on the basis of years of service with the Corporation in accordance with the Corporation's normal vacation policy in effect immediately prior to the time of such failure;

- (vii) the failure by the Corporation to obtain the assumption of the agreement to perform this Agreement by any successor as contemplated in Section 27 hereof;
 - (viii) any other purported termination by the Corporation of the Executive's employment other than for Cause.
- (m) "Good Reason Upon A Change in Control" for the termination by the Executive of the Executive's employment shall mean:
- (i) the occurrence of any of the acts or failure to act of the Corporation set out in Section 1(l)(i) through (viii) inclusive, unless, in the case of any act or failure to act described in Section 1(l)(i), (v), (vi) or (viii), such act or failure to act is corrected prior to the Date of Termination, where such acts or failure to act occurs during the Change in Control Period; or
 - (ii) any breach of this Agreement by the Corporation during the Change in Control Period;
- (n) "Incumbent Director" means any member of the Board who was a member of the Board immediately prior to the occurrence of a transaction, transactions or elections giving rise to a Change in Control (other than a transaction approved by the Board) and any successor to an Incumbent Director who is recommended or elected or appointed to succeed an Incumbent Director by the affirmative vote of a majority of the Incumbent Directors then on the Board;
- (o) "LTIP" means the Corporation's Long-Term Incentive Plan made as of June 28, 1998, as amended and restated as of October 16, 2002, and as may be further amended from time to time;
- (p) "Option" means an option to purchase shares in the capital of the Corporation granted under the LTIP and/or any other future plans;
- (q) "Performance-Contingent Option" means an option granted under the LTIP and/or any other future plans, the vesting of which is determined in accordance with the achievement of performance targets established by the Board of Directors at the time of the grant of the option;

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- (r) "Permanently Disabled" shall have the meaning set out in section 12(b) of this Agreement;
- (s) "Potential Change in Control" shall be deemed to have occurred if any one of the following occurs:
- (i) the Corporation enters into a binding agreement, the consummation of which would result in the occurrence of a Change in Control;
 - (ii) the Corporation publicly announces an intention to take or to consider taking action which, if consummated, would constitute a Change in Control; or
 - (iii) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred;
- (t) "Potential Change in Control Period" shall commence upon the occurrence of a Potential Change in Control and shall lapse immediately following the first to occur of:
- (i) a Change in Control; or
 - (ii) the first anniversary of the occurrence of a Potential Change in Control;
- (u) "Right" means a stock appreciation right and includes stock appreciation rights granted under the LTIP and/or any other future plans;

- (v) "RSUs" means, as applicable in the circumstances, Performance Units granted under the LTIP or the CSUP, Restricted Share Units granted under the CSUP and, any share units or similar rights granted or issued under any other plan providing for equity or equity-based incentives or compensation other than the ESPO Plan or Options;
- (w) "RSU Rights" shall mean the Executive's entitlements and rights under and determined in accordance with CSUP, the LTIP, or other applicable plan or arrangement, or failing such provisions, in accordance with the terms in respect of the change in control or termination set out in the Board resolution authorizing the grant of such incentive or compensation, or such other, more favourable terms, that the Board, acting in its discretion, may determine;
- (x) "Section 409A" shall mean Section 409A of the United States Internal Revenue Code and all regulations thereunder;
- (y) "Shares" shall have the meaning given to such term in the LTIP;
- (z) "Target Bonus" means one hundred (100%) of the Executive's Annual Base Salary or such higher percentage of the Executive's Annual Base Salary as may be approved by the Board from time to time;

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- (aa) "Trade Secrets" shall have the meaning set out in section 14(a) of this Agreement;
- (bb) "USIRC" means the Internal Revenue Code of 1986 of the United States of America or any successor statute of the United States of America, as either may be amended from time to time (any reference to a particular Section of the USIRC includes any comparable provision of the Internal Revenue Code of 1986 of the United States of America or any such successor statute that may be enacted after the date of this Agreement); and,
- (cc) "Year" shall have the meaning given to such term in the LTIP.

2. Position - Capacity and Services

The Executive shall continue to serve the Corporation and any subsidiaries of the Corporation in such capacity or capacities and shall perform such duties and exercise such powers pertaining to the management and operation of the Corporation and any subsidiaries and associates of the Corporation (as those terms are defined in the Business Corporations Act (Ontario)) as may be determined from time to time by the Board consistent with the office of the Executive. It is acknowledged and agreed that the duties and responsibilities of the Executive may be adjusted from time to time by the Board as the Board may determine to be appropriate in light of growth and other changes in the business and affairs of the Corporation and its subsidiaries and associates (but not in such a manner as would constitute Good Reason or Good Reason upon a Change in Control). Without limitation of the foregoing, the Executive shall occupy the office of Chief Executive Officer and shall:

- (a) devote all of the Executive's business time and attention and the Executive's best efforts to the business and affairs of the Corporation, provided however, that, in addition to the two boards of directors on which the Executive serves on the date hereof disclosed to the Corporation, the Executive may serve as a member of a board of directors of an entity if the Board, or an appropriate committee thereof, determines in its sole discretion that such membership is not averse to the interests of the Corporation;
- (b) perform those duties that may reasonably be assigned to the Executive diligently and faithfully to the best of the Executive's abilities and in the best interests of the Corporation; and
- (c) use the Executive's best efforts to promote the interests and goodwill of the Corporation.

3. Reporting Procedures

The Executive shall report to the Board. The Executive shall report fully to the Board on the Executive's scope of responsibility and advise to the best of the Executive's ability and in accordance with reasonable business standards on business matters that may arise within such scope of responsibility from time to time.

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4. Remuneration

(a) **Annual Base Salary.** The annual base salary (the "Annual Base Salary") payable to the Executive for the Executive's services hereunder for the term of this Agreement shall be as determined by the Board from time to time, and shall be exclusive of bonuses, benefits and other compensation. The Annual Base Salary shall be payable in equal bi-monthly instalments in arrears in accordance with existing practice, or in such other manner as may be mutually agreed upon, less, in any case, any deductions or withholdings required by law.

(b) **Additional Remuneration and Benefits.** The Corporation shall provide the Executive with employee benefits comparable to those provided by the Corporation from time to time to other senior executive officers of the Corporation and shall permit the Executive to participate in any bonus plan, incentive plan, share option plan, share purchase plan, retirement plan, or similar plan offered by the Corporation from time to time to its senior executive officers in the manner and to the extent authorized by the Board. Such benefits shall include the lease of a car for the Executive's use of a type as is reasonable in the circumstances.

(c) **"Most Favoured Nation".** The Executive understands that no employee of the Corporation has or will have remuneration as described in this section 4 which is greater than or superior to the Executive's and should the Corporation decide to commit to better terms with a future executive, it will review and where necessary to achieve the intent of this section 4(c), adjust the Executive's remuneration package.

5. Salary and Bonus Adjustments

(a) The Board shall review the compensation arrangements relating to the Executive at least once per calendar year, including the Annual Base Salary, any executive bonus and any incentive plan(s) applicable to the Executive.

6. Additional Payments

(a) **Rental and Commuting Expenses.** The Corporation shall either reimburse the Executive for the reasonable rental costs incurred by the Executive for the Executive's rental accommodations in Toronto or lease an apartment for the Executive's use. The Corporation shall reimburse the Executive for the Executive's reasonable costs incurred by the Executive in travelling to and from the Executive's permanent residence. The Executive shall submit an expense report together with supporting documentation as required under the Corporation's normal procedures for the submission of expense reports or such other documentation as may be requested by the Corporation from time to time. The Executive shall have the ability to use the Corporation's chartered airplane for business purposes.

(b) **Tax Equalization.**

- (i) The Corporation agrees to “equalize” the Executive’s tax position on an annual basis such that the Executive will not bear more tax on an annual basis than he would bear if he were earning his total compensation in the United States. To accomplish such equalization, the actual combined United States and Canadian tax (including social security and state and

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local taxes) paid each quarter by the Executive on his total compensation (including any taxable benefits, such as, for example, any housing or commuting costs and any tax equalization payments made pursuant to this clause or clause (c) or (d) below in such year) (the “actual tax”) will be compared to the “theoretical U.S. tax” (defined below), and the Corporation will reimburse the Executive for the excess of the actual tax over the theoretical U.S. tax. The parties acknowledge that the quarterly tax equalization calculation will be an estimated tax calculation and that a reconciliation tax equalization calculation will be done on an annual basis. In the event that pursuant to such reconciliation tax equalization calculation the theoretical U.S. tax is in excess of the actual tax on an annual basis, the Corporation will be credited with such excess to be applied by the Corporation against the Corporation’s future obligations to the Executive, pursuant to this Agreement or otherwise.

- (ii) An estimated tax equalization calculation shall be made within sixty (60) days of any resignation of employment by the Executive or any termination of the Executive’s employment by the Corporation. In the event that, pursuant to such estimated equalization tax calculation, (a) the actual tax is in excess of the theoretical U.S. tax, the Corporation will reimburse the Executive for such excess; and (b) if the theoretical tax is in excess of the actual tax, the Executive shall repay such excess to the Corporation by: (i) the Corporation deducting such excess from any monies payable to the Executive by the Corporation pursuant to this Agreement or otherwise; and (ii) if such excess is not repaid in full under (i), the Executive shall make payment of the remaining balance within sixty (60) days of the date of the estimated equalization tax calculation. A final tax equalization calculation shall be made by March 31 in the year following the year in which the Executive resigned his employment or the Executive’s employment was terminated by the Corporation. The Executive will reimburse the Corporation the necessary amount if the estimated tax equalization calculation is greater than the final tax equalization calculation. The Corporation will reimburse the Executive the necessary amount if the estimated tax equalization calculation is less than the final tax equalization calculation. Any payment required to be made pursuant to the final tax equalization calculation shall be made on or before April 30 in the year in which the final tax equalization calculation is made.
- (iii) The “theoretical U.S. tax” will be calculated based on the total compensation (as per the above) received by the Executive, assuming the Executive is a resident of the U.S. and that his compensation was earned from services performed there and assuming that the payments provided for in (a) and (d) in this Section are not taxable benefits to the Executive. Federal, state and any local taxes will be included in the calculation, as will social security contributions. The state tax rate will be that applicable in the state of the Executive’s current residence (or last

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residence, if no longer a resident of any state). For the purposes of determining exemptions and deductions, this calculation will take into account the Executive’s actual personal/marital status.

(c) **Foreign Exchange Recalculation and Adjustment.**

- (i) The Executive’s Annual Base Salary is in American dollars and shall be paid in Canadian dollars. The Corporation shall ensure that the amount paid to the Executive in Canadian dollars is equal to the Executive’s Annual Base Salary in American dollars by conducting, on a quarterly basis, a foreign exchange recalculation. Such recalculation will be done on the basis of determining the average daily exchange rate for each month in the quarter, and applying such rate to the amount of the Annual Base Salary payable for each month in the quarter. In the event that such a recalculation results in the Executive having been paid less than his Annual Base Salary for such quarter year, the Corporation shall make payment to the Executive of the difference. In the event that such recalculation results in the Executive having been paid more than his Annual Base Salary for such quarter year, the Corporation shall be credited with such excess amount to be applied by the Corporation against the Corporation’s future obligations to the Executive pursuant to this Agreement or otherwise. A final foreign exchange recalculation shall be made within sixty (60) days of any resignation of employment by the Executive or any termination of the Executive’s employment by the Corporation. In the event that, pursuant to the final foreign exchange recalculation, (a) the Executive has been paid less than his Annual Base Salary (pro-rated to such date of resignation or termination), the Corporation shall make payment to the Executive of the difference; and, (b) the Executive has been paid more than his Annual Base Salary (pro-rated to such date of resignation or termination), the Executive shall repay such excess to the Corporation by: (i) the Corporation deducting such excess from any monies payable to the Executive by the Corporation pursuant to this Agreement or otherwise; and (ii) if such excess is not repaid in full under (i), the Executive shall make payment of the remaining balance within sixty (60) days of the date of the final foreign exchange recalculation.
- (ii) The Corporation shall also ensure that the amount paid to the Executive in Canadian dollars for payments under sections 13(c)(i) and (d)(i) is equal to the Executive’s entitlement in American dollars, by recalculating such amount based on the foreign exchange rate on the seventh business day preceding the normal payroll processing date of the Corporation and its applicable subsidiary on which such payments are made.

(d) **Income Tax Return.** The Corporation will pay the fees incurred by the Executive for the preparation and filing of the Executive’s annual income tax return and the

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calculation of any quarterly tax instalments for each year of the Executive’s employment with the Corporation.

7. Vacation

The Executive shall be entitled to paid vacation in each fiscal year of the Corporation in accordance with the Corporation’s vacation policy for employees of the Corporation (including the Executive) that is currently in effect, as it may change from time to time, provided such vacation shall in no event be less than four (4) weeks. In the event that the Executive decides not to take all the vacation to which the Executive is entitled in any fiscal year, the Executive’s entitlement to take any such vacation in the next following fiscal year shall be determined in accordance with the Corporation’s vacation policy for employees of the Corporation (including the Executive) in effect from time to time.

8. Expenses

The Executive shall be reimbursed for all reasonable travel and out-of-pocket expenses actually and properly incurred by the Executive from time to time in connection with carrying out the Executive's duties hereunder. For all such expenses the Executive shall furnish to the Corporation originals of all invoices, receipts or statements in respect of which the Executive seeks reimbursement as and when required by the Corporation's normal procedures for the submission of expense reports by employees of the Corporation.

9. Relocation

The location at which the Executive shall normally be required to attend for the purposes of performing his employment duties shall not, without the prior consent of the Executive, be located more than 100 kilometres outside the City of Toronto, except that this provision shall not be taken to limit the obligation of the Executive to undertake such reasonable business travel from time to time as is concomitant with the duties and office of the Executive.

10. Continuation of Employment upon a Change in Control

Upon a Change in Control, the Corporation agrees to continue the Executive in its employ, in accordance with the terms and provisions of this Agreement, on the same terms and conditions which were in effect immediately prior to the Change in Control or on such other terms as may be subsequently agreed upon in writing between the Corporation and the Executive.

11. Vesting of Options, Stock Appreciation Rights, Performance-Contingent Options and RSU Rights

(a) **Options and Stock Appreciation Rights.** Upon a Change in Control or upon termination of the Executive's employment without cause during the Change in Control Period or termination by the Executive of the Executive's employment for Good Reason during the Change in Control Period, all unvested and unexercised Options and Rights granted to the Executive shall vest immediately and shall become exercisable in accordance with the terms of each such Option or Right or the plan governing each such Option or Right.

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(b) **Performance-Contingent Options.** Upon a Change in Control or upon termination of the Executive's employment without cause during the Change in Control Period or voluntary termination by the Executive of the Executive's employment for Good Reason during the Change in Control Period, all unvested and unexercised Performance-Contingent Options granted to the Executive shall become eligible for vesting and shall vest immediately, the extent of such vesting to occur in accordance with the terms governing vesting on Change of Control set out in the Board resolution authorizing the grant of such Performance Contingent Options or such other more favourable terms as the Board, acting in its discretion, may determine and shall become exercisable in accordance with the terms of each such Performance-Contingent Option or the plan governing each such Performance-Contingent Options.

(c) **RSU Rights.** Upon a Change in Control or upon termination of the Executive's employment without cause during the Change in Control Period or termination by the Executive of the Executive's employment for Good Reason during the Change in Control Period, the change of control provisions of the RSUs shall be deemed to be triggered and the Executive shall be entitled to the Executive's RSU Rights in respect thereto.

12. Termination

(a) **Termination for Cause.** The Corporation may terminate the employment of the Executive for Cause without notice or any payment in lieu of notice.

(b) **Termination on Disability or Death.** The Executive's employment hereunder may be immediately terminated by the Corporation by notice to the Executive if the Executive becomes permanently disabled ("Permanently Disabled"). The Executive shall be deemed to have become Permanently Disabled if in any year during the period of the Executive's employment with the Corporation pursuant hereto (the "Employment Period"), because of ill health, physical or mental disability, or for other causes beyond the control of the Executive, the Executive has been continuously unable or unwilling or has failed to perform the Executive's duties for 120 consecutive days, or if, during any year of the Employment Period, the Executive has been unable or unwilling or has failed to perform the Executive's duties for a total of 180 days, consecutive or not. The term "any year of the Employment Period" means any period of 12 consecutive months during the Employment Period. This Agreement shall terminate automatically without notice upon the death of the Executive.

(c) **Resignation by the Executive.** The Executive may resign the Executive's employment with the Corporation at any time upon giving sixty (60) days' written notice to the Corporation. The Corporation may waive such notice in whole or in part. If the Executive resigns the Executive's employment, the Corporation shall have no further obligations or responsibilities hereunder to the Executive except for any rights accrued or vested prior to the effective date of resignation.

13. Severance Payments and Entitlements

(a) **Termination for Cause.** Upon termination of the Executive's employment for Cause as described in section 12(a), the Executive shall not be entitled to any payments other than the unpaid Annual Base Salary earned by the Executive before the Date of Termination

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calculated *pro rata* up to and including the Date of Termination together with any payment for notice or severance to which the Executive is entitled under the applicable employment legislation in force from time to time. The Executive's Options, Performance Contingent Options and Rights granted under the LTIP and any RSUs terminate effective the Date of Termination and may not be exercised thereafter, except for any rights accrued or vested prior to the Date of Termination.

(b) **Termination on Disability or Death.** Upon termination of the Executive's employment by reason of the Executive becoming Permanently Disabled or on the death of the Executive as described in section 12(b), except as otherwise provided under the ESPO Plan, the LTIP, the RSU Rights or under the Corporation's applicable incentive plans, life insurance, pension plan, medical, dental, health and accident and disability plans and pension and retiree benefit plans, the Executive or, in the case of death, the Executive's family, shall not be entitled to receive any payments other than the unpaid Annual Base Salary earned by the Executive to the date of the Executive becoming Permanently Disabled or the date of the Executive's death and, in the event of the Executive's death or Permanent Disability, the pro-rata portion, of the Executive's annual Target Bonus for the year in which the Executive's death or Permanent Disability occurs. In the case of Permanent Disability, all such payments shall be made in a single lump sum thirty (30) days after the Executive's employment terminates because of such Permanent Disability. Notwithstanding the foregoing, nothing in this provision shall affect the Executive's right to claim or receive death or disability benefits provided for in section 4(b) of this Agreement.

(c) **Termination without Cause or for Good Reason.** Upon (i) termination of the Executive's employment without Cause, or (ii) the Executive's termination of his employment for Good Reason:

- (i) the Executive shall be entitled to receive, and the Corporation shall pay to the Executive, within 60 days of the Date of Termination, in lieu of notice of termination, the aggregate of the following amounts (less any deductions required by law):

- (A) if not theretofore paid, that portion of the Annual Base Salary earned by or payable to the Executive during the then current fiscal year of the Corporation for the period to and including the Date of Termination, together with all benefits, excluding the additional payments provided for in Section 6 of this Agreement, payable to the Executive through to and including the Date of Termination under the terms of the Corporation's benefit plans, programs or arrangements as in effect immediately prior to the Date of Termination;
- (B) a pro rated portion of the Executive's annual bonus, determined on the basis of the expected financial results for the fiscal year in which the Date of Termination occurs, (without reference to or inclusion of personal performance factors but with reference to or inclusion of relative performance factors), calculated by

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multiplying (1) the bonus amount as so determined by (2) a fraction, the numerator of which is the number of days in the applicable fiscal year through to and including the Date of Termination and the denominator of which is 365; and

- (C) a lump sum payment in cash equal to two times the sum of (1) the Annual Base Salary at the Date of Termination, and (2) the simple average of the annual bonus determined for the Executive for the two prior completed fiscal years of the Corporation;
- (ii) the Executive shall be entitled to receive, and the Corporation shall pay to the Executive, within 60 days of the Date of Termination, a cash payment which on an after-tax basis is in an amount equal to the then estimated net present value (as determined by the Board, acting reasonably, assuming that the Executive would be employed by the Corporation for the ensuing two years and using as a discount rate the Corporation's cost of funds under its principal bank working capital credit lines) of all life insurance, medical, dental, health and accident and disability plans, programs or arrangements in which the Executive was entitled to participate immediately prior to the Date of Termination, excluding the additional payments provided for in Section 6 of this Agreement, (or in the case of termination by the Executive for Good Reason upon or following a Change in Control as a result of a reduction in benefits, if more favourable to the Executive, such coverage and terms as were in effect immediately prior to the Change in Control) and assuming costs paid by the Executive no greater than that which the Executive would have paid while employed for the two-year period following the Date of Termination;
- (iii) those Options, Performance-Contingent Options and Rights granted to the Executive that would have otherwise vested and become exercisable during the twelve-week period following the Date of Termination shall vest and become exercisable during such twelve-week period in accordance with their terms and, together with any Options, Performance-Contingent Options and Rights that vested prior to the Date of Termination, shall terminate and may not be exercised after the earlier of 30 days after the expiry of such twelve week period and the original expiry date of such Option, Performance-Contingent Option or Right;
- (iv) RSUs which are not subject to performance conditions as to vesting shall vest immediately on a pro rata basis based on the number of full years (with no credit for partial years) of employment completed between the date of grant and the termination of employment, and unvested RSUs which are subject to performance conditions as to vesting shall be forfeited and cancelled; and

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- (v) the Corporation shall contribute to the Executive's defined contribution pension plan and to its Supplementary Executive Retirement Plan with the Corporation an amount equal to the then estimated net present value (as determined by the Board acting reasonably, assuming that the Executive would be employed by the Corporation for the ensuing three years and using as a discount rate the Corporation's cost of funds under its principal bank working capital credit lines) of the Corporation's pension contributions for the Executive under each such plan for the three year period following the Date of Termination.

(d) **Termination During the Change in Control Period or for Good Reason During the Change in Control Period.** Upon (i) termination of the Executive's employment by the Corporation during the Change in Control Period other than for Cause, or (ii) termination by the Executive of the Executive's employment for Good Reason upon a Change in Control during the Change in Control Period:

- (i) in lieu of notice, the Corporation shall pay to the Executive the aggregate of the following amounts (less any deductions required by law), within 60 days of the Date of Termination:
 - (A) if not theretofore paid, that portion of the Annual Base Salary earned by or payable to the Executive during the then current fiscal year of the Corporation for the period to and including the Date of Termination, together with all benefits, including the additional payments provided for in Section 6 of this Agreement, payable to the Executive through to and including the Date of Termination under the terms of the Corporation's benefit plans, programs or arrangements as in effect immediately prior to the Date of Termination;
 - (B) a pro rated portion of the Executive's annual bonus, determined on the basis of the expected financial results for the fiscal year in which the Date of Termination occurs, (with reference to and inclusion of personal performance factors but without reference to or inclusion of relative performance factors), calculated by multiplying (1) the bonus amount as so determined by (2) a fraction, the numerator of which is the number of days in the applicable fiscal year through to and including the Date of Termination and the denominator of which is 365; and
 - (C) a lump sum payment in cash equal to three times the sum of (x) the Annual Base Salary at the Date of Termination, and (y) the simple average of the annual bonus determined for the Executive for the three prior completed fiscal years of the Corporation;
- (ii) the Executive shall be entitled to receive, and the Corporation shall pay to the Executive, within 60 days of the Date of Termination, a cash

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payment which, on an after-tax basis, is in an amount equal to the then estimated net present value (as determined by the Board, acting reasonably, assuming that the Executive would be employed by the Corporation for the ensuing three years and using as a discount rate the Corporation's cost of funds under its principal bank working capital credit lines) of all life insurance, medical, dental, health and accident and disability plans, programs or arrangements in which the Executive was entitled to participate immediately prior to the Date of Termination, excluding the additional payments provided for in Section 6 of this Agreement, (or in the case of termination by the Executive for Good Reason upon or following a Change in Control as a result of a reduction in benefits, if more favourable to the Executive, such coverage and terms as were

in effect immediately prior to the Change in Control) and assuming costs paid by the Executive no greater than that which the Executive would have paid while employed for the three-year period following the Date of Termination;

- (iii) all Options and Rights vest pursuant to section 11(a) hereof and shall be exercisable for the remainder of the term to expiry of each such Option or Right;
- (iv) all unvested and unexercised Performance-Contingent Options vest pursuant to section 11(b) hereof and shall be exercisable for the remainder of the term to expiry of each such Performance-Contingent Option;
- (v) unvested RSUs which are not subject to performance conditions to vesting shall immediately fully vest in such event, and RSUs which are subject to performance conditions as to vesting shall vest at the median (target) level of performance unless the Board resolution authorizing the grant provides otherwise; and,
- (vi) the Corporation shall contribute to the Executive's defined contribution pension plan and to its Supplementary Executive Retirement Plan with the Corporation an amount equal to the then estimated net present value (as determined by the Board acting reasonably, assuming that the Executive would be employed by the Corporation for the ensuing three years and using as a discount rate the Corporation's cost of funds under its principal bank working capital credit lines) of the Corporation's pension contributions for the Executive under each such plan for the three year period following the Date of Termination.

(e) **Notice of Termination by the Executive for Good Reason or Good Reason upon a Change in Control.** Any termination of employment by the Executive for Good Reason or for Good Reason upon a Change in Control shall: be communicated in writing by the Executive; indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail any facts and circumstances claimed to provide a basis for the

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termination of the Executive's employment under the provision so indicated; and, be delivered within sixty (60) days of the Executive becoming aware of the act or failure to act giving rise to the Good Reason or Good Reason upon a Change in Control. The Executive shall not be required to report to work or perform services for the Corporation subsequent to the Corporation's receipt of the Executive's notice of termination.

(f) **Executive Entitlement When Dispute.** All amounts payable, benefits due or owed or amounts payable in lieu of benefits under Section 13 shall, unless otherwise specifically provided, be paid by the Corporation to the Executive within thirty days of the Date of Termination, notwithstanding that the Corporation may dispute the Executive's entitlement to such amounts. The Executive is entitled to receive all amounts owing under Section 13, and the Corporation shall not initiate injunctive proceeding in a court of competent jurisdiction or any arbitration proceeding pursuant to Section 19 to prevent the Executive from enforcing his right to receive such amounts, and should the Corporation initiate any proceeding disputing the Executive's entitlement to such amounts, the Corporation agrees to continue to provide such amounts to the Executive in accordance with the terms of this Agreement, pending final resolution of the dispute by an arbitrator pursuant to Section 19.

(g) **Delay in Payment.** Notwithstanding anything herein to the contrary, in the event that, at the time the Executive's employment with the Corporation terminates, the Corporation remains publicly traded (within the meaning of Section 409A) and the Executive is a "specified employee" (within the meaning of Section 409A) any amounts under this Section that are payable during the first six (6) months following the Executive's termination of employment shall be reduced to the maximum amount allowable under Section 409A; any amounts that are not paid during such six-month period because of the above limitations shall be paid six months and one day following the Executive's termination. All other amounts shall be paid in accordance with their terms.

14. Confidentiality, Non-Solicitation and Non-Competition

(a) The Executive acknowledges and agrees that:

- (i) in the course of performing the Executive's duties and responsibilities as an officer of the Corporation, the Executive has had and will be entrusted with detailed confidential information and trade secrets (printed or otherwise) concerning past, present, future, and contemplated products, services, operations and marketing techniques and procedures of the Corporation and its subsidiaries, including, without limitation, business plans, inventions, pending and undisclosed patents and patent applications, proprietary business methods and proprietary manufacturing operations, proprietary product and proprietary manufacturing information, know how, and information relating to addresses, preferences, needs and requirements of past, present and prospective clients, customers, suppliers and employees of the Corporation and its subsidiaries (collectively, "Trade Secrets"), the disclosure of any of which to competitors of the Corporation or to the general public, or the use of same by the Executive or any competitor of

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the Corporation or any of its subsidiaries, would be highly detrimental to the interests of the Corporation;

- (ii) in the course of performing the Executive's duties and responsibilities for the Corporation, the Executive has been and will continue in the future to be a representative of the Corporation to its customers, clients and suppliers and as such has had and will continue in the future to have significant responsibility for maintaining and enhancing the goodwill of the Corporation with such customers, clients and suppliers and would not have, except by virtue of the Executive's employment with the Corporation, developed a close and direct relationship with the customers, clients and suppliers of the Corporation;
 - (iii) the Executive's services are extraordinary and unique;
 - (iv) the Corporation has a proprietary interest in its customers and clients;
 - (v) the Executive, as an officer of the Corporation, owes fiduciary duties to the Corporation, including the duty to act in the best interests of the Corporation; and,
 - (vi) the right to maintain the confidentiality of the Trade Secrets, the right to preserve the goodwill of the Corporation and the right to the benefit of any relationships that have developed between the Executive and the customers, clients and suppliers of the Corporation by virtue of the Executive's employment with the Corporation constitute proprietary rights of the Corporation, that the Corporation is entitled to protect.
- (b) In acknowledgment of the matters set out in (a) above, and in consideration of the payments to be received by the Executive pursuant to this Agreement, the Executive hereby agrees that the Executive will not, during the term of the Executive's employment with the Corporation and for three years from either the Date of Termination or the Executive's resignation of the Executive's employment:

- (i) directly or indirectly disclose to any person or in any way make use of (other than for the benefit of the Corporation), in any manner, any of the Trade Secrets, provided that such Trade Secrets shall be deemed not to include information that is or becomes generally available to the public other than as a result of disclosure by the Executive or known to the Executive prior to becoming an employee of the Corporation or a subsidiary of the Corporation;
- (ii) be a party to or abet any solicitation of customers, clients, or suppliers of the Corporation or any of its subsidiaries or associates for or with respect to any business that is in competition with the Business of the Corporation (as defined below), to transfer business from the Corporation or any of its subsidiaries or associates to any other person,

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or seek in any way to persuade or entice any employee of the Corporation or any of its subsidiaries or associates to leave that employment or to be a party to or abet any such action; or,

- (iii) either individually or in partnership or jointly or in conjunction with any person or persons, firm, association, syndicate, company or corporation, as principal, agent, shareholder (unless passive investor) or in any other manner whatsoever, be involved with any business that is in competition with the business of the Corporation which business means the electronics manufacturing services business (the "Business of the Corporation"). During the same time period, the Executive will not carry on or be engaged in or concerned with or interested in, or advise, lend money to, guarantee the debts or obligations of, or permit the Executive's name or any part thereof to be used or employed by or associated with, any person or persons, firm, association, syndicate, company or corporation in any business that is involved in any similar business in which the Corporation is involved during the course of the Executive's employment.
- (c) If any court determines that any provision contained in Section 14 including, without limitation, a restrictive covenant or any part thereof is unenforceable because of the duration or geographical scope of the provision or for any other reason, the duration or scope of the provision, as the case may be, shall be reduced so that the provision becomes enforceable and, in its reduced form, the provision shall then be enforceable and shall be enforced;
 - (d) The Executive acknowledges that the Executive's employment by the Corporation and all compensation and benefits and potential compensation and benefits to the Executive from such employment were and will be conferred by the Corporation upon the Executive in part because and on condition of the Executive's willingness to commit the Executive's best efforts and loyalty to the Corporation, including protecting the Corporation's right to have its Trade Secrets protected from non-disclosure by the Executive and abiding by the confidentiality, non-competition and other provisions herein. The Executive understands the Executive's duties and obligations as set forth in Section 14 and agrees that such duties and obligations would not unduly restrict or curtail the Executive's legitimate efforts to earn a livelihood following any termination of the Executive's employment with the Corporation. The Executive agrees that the restrictions contained in Section 14 are reasonable and valid and all defences to the strict enforcement thereof by the Corporation are waived by the Executive. The Executive further acknowledges that irreparable damage would result to the Corporation if the provisions of Sections 14 (b)(i) to (iii) are not specifically enforced, and agrees that the Corporation shall be entitled to any appropriate legal, equitable, or other remedy, including injunctive relief, in respect of any failure or continuing failure to comply with the provisions of Sections 14 (b)(i) to (iii);

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- (e) The preceding covenants do not prohibit investment, up to a maximum of five percent (5%) of the outstanding shares, in a corporation whose shares are listed on a recognized stock exchange and which carries on a business similar to the Business of the Corporation.

15. Return of Materials

All files, forms, brochures, books, materials, written correspondence, memoranda, documents, manuals, computer disks, software products and lists (including lists of customers, suppliers, products and prices) pertaining to the business of the Corporation or any of its subsidiaries and associates that may come into the possession or control of the Executive shall at all times remain the property of the Corporation or such subsidiary or associate, as the case may be. On termination of the Executive's employment for any reason, the Executive agrees to deliver promptly to the Corporation all such property in the possession of the Executive or directly or indirectly under the control of the Executive. The Executive agrees not to make for the Executive's personal or business use or that of any other party, reproductions or copies of any such property or other property of the Corporation or any of its subsidiaries or associates.

16. Duty to Mitigate

The Executive shall not be subject to any duty or obligation to seek alternate employment or other sources of income or benefits, or to mitigate the Executive's damages, or to any similar duty or obligation and any compensation earned by the Executive after the Date of Termination shall not be deducted from any payments to be made to the Executive pursuant to this Agreement following or as a result of: (a) voluntary termination by the Executive of the Executive's employment for Good Reason or Good Reason during the Change in Control Period, or, (b) termination of the employment of the Executive by the Corporation other than for Cause.

17. Further Assurances

Each of the Corporation and the Executive agrees to execute and deliver all such documents and to do all such acts and things as the other party may reasonably request and as may be lawful and within its powers to do or to cause to be done in order to carry out and/or implement the provisions or intent of this Agreement, including, without limitation, seeking all such governmental, regulatory and other third party approvals as may be necessary or desirable. Without limiting the generality of the foregoing, the Corporation agrees to execute and deliver all such documents and to do all such acts and things as the Executive may reasonably request and as may be lawful and within the power of the Corporation to do or cause to be done in order to minimize any tax consequences to the Executive or his estate or his legal personal representatives in respect of the payment or performance by the Corporation of the obligations of the Corporation upon or in respect of payments or actions required to be made or taken by or on behalf of the Corporation in the event of termination of the Executive's employment hereunder; provided that the Corporation shall in no way be prejudiced thereby.

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18. Governing Law

The Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and the parties hereto specifically attorn to the jurisdiction of the courts of the Province of Ontario.

19. Arbitration Clause

(a) With the exception of Section 13, where there is any dispute as to any provision of this Agreement and the Executive and the Corporation are unable to come to a mutual agreement within a period of 10 days from the date on which one party advises the other party, in writing, of the dispute, within 10 days after the expiry of such period, either party may give written notice of the issue on which a mutual decision has not been made to an arbitrator selected from (c) below, with a copy of the notice to the other party.

Upon receipt of such notice, the arbitrator will contact each of the parties and attempt to resolve the matter within 5 days of receipt of the notice, failing which the arbitrator shall schedule a hearing to commence within 90 days thereafter, that hearing to conclude and the decision to be rendered within 120 days (or such later time as agreed upon between the parties) thereafter.

It is understood and agreed the arbitrator shall have the sole discretion to establish a procedure for the conduct of the arbitration, provided only that such procedure shall give to each party an opportunity to state and argue their respective positions, either in writing or orally in the presence of the arbitrator and each other party and whether with or without reply or rejoinder. The decision of the arbitrator shall be final and binding.

Any arbitration pursuant to this clause shall be in accordance with the *Arbitrations Act (Ontario)*.

(b) It is understood that the Executive and the Corporation would prefer to avoid litigation due to a possible breach of Section 14, upon the acceptance of a new position by the Executive. As a result, the parties agree that where the Executive is considering a new position, particularly following termination of employment, the Executive may seek the prior agreement of the Corporation that such new position is not with a competitor of the Corporation. Where there is a disagreement as to whether this new position is with a competitor of the Corporation (and the Executive has not accepted any offer and commenced employment in respect thereof), the parties agree to have this issue finally determined on an expedited basis by an agreed upon arbitrator as set out in (c) below. The process and authority of the arbitrator shall be as described above, except that in this case only the hearing must be concluded and the decision rendered within 30 days of the arbitrator receiving notice of the dispute.

(c) For the purpose of this Agreement, the parties agree that any one of the following can be selected as the arbitrator: Mr. Justice George Adams, William Kaplan, Maureen K. Saltman or Daniel J. Baum, or any other arbitrator the parties mutually agree upon should none of these arbitrators be available within the timelines set out herein.

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Each party represents to the other each of these individuals are independent from them.

20. Severability

With the exception of Section 13, if any provision of the Agreement, including the breadth or scope of such provision, shall be held by an arbitrator pursuant to Section 19 to be invalid or unenforceable, in whole or in part, such invalidity or unenforceability shall not affect the validity or enforceability of the remaining provisions, or part thereof, of this Agreement and such remaining provisions, or part thereof, shall remain enforceable and binding.

21. Representations and Warranties

The Executive represents and warrants to the Corporation that the execution and performance of this Agreement will not result in or constitute a default, breach, or violation, or an event that, with notice or lapse of time or both, would be a default, breach, or violation, of any understanding, agreement or commitment, written or oral, express or implied, to which the Executive is a party or by which the Executive or the Executive's property is bound. The Executive shall defend, indemnify and hold the Corporation harmless from any liability, expense or claim (including reasonable solicitor's fees incurred in respect thereof) by any person in any way arising out of, relating to, or in connection with any incorrectness of breach of the representations and warranties in this Section 21.

22. Rights and Waivers

All rights and remedies of the parties are separate and cumulative, and none of them, whether exercised or not, shall be deemed to be to the exclusion of any other rights or remedies or shall be deemed to limit or prejudice any other legal or equitable rights or remedies which either of the parties may have.

23. Waiver

Any purported waiver of any default, breach or non-compliance under this Agreement is not effective unless in writing and signed by the party to be bound by the waiver. No waiver shall be inferred from or implied by any failure to act or delay in acting by a party in respect of any default, breach or non-observance or by anything done or omitted to be done by the other party. The waiver by a party of any default, breach or non-compliance under this Agreement shall not operate as a waiver of that party's rights under this Agreement in respect of any continuing or subsequent default, breach or non-observance (whether of the same or any other nature).

24. Time of Essence

Time shall be of the essence of this Agreement in all respects.

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25. Headings

The division of this Agreement into Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

26. Full Satisfaction

The terms set out in this Agreement, provided that such terms are satisfied by the Corporation, are in lieu of (and not in addition to) and in full satisfaction of any and all other claims or entitlements which the Executive has or may have upon the termination of the Executive's employment and the compliance by the Corporation with these terms will effect a full and complete release of the Corporation and its parent and their respective affiliates, associates, subsidiaries and related companies from any and all claims which the Executive may have for whatever reason or cause in connection with the Executive's employment and the termination of it, other than those obligations specifically set out in this Agreement and other than the Executive's right to claim indemnification under corporate law and any agreement of the Corporation to provide indemnification to the Executive. In agreeing to the terms set out in this Agreement, the Executive specifically agrees to execute a formal release document to that effect and will deliver upon request appropriate resignations from all offices and positions with the Corporation and its parent and their respective affiliated, associated

subsidiary or affiliated companies if, as and when requested by the Corporation upon termination of the Executive's employment within the circumstances contemplated by this Agreement.

27. Successors; Binding Agreement

The Corporation will require any successor (whether direct or indirect, by purchase, amalgamation, arrangement, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Corporation to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform it if no such succession had taken place. Failure of the Corporation to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Corporation in the same amount and on the same terms as the Executive would be entitled hereunder if the Executive were terminated in circumstances giving rise to the payment of benefits pursuant to Section 13(d) hereof except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. The foregoing shall not in any way limit the rights of the Executive hereunder if such succession constitutes a Change in Control. As used in this Agreement, "Corporation" shall mean the Corporation as hereinbefore defined and any successor to its business and/or assets as aforesaid which executes and delivers the agreement provided for in this paragraph or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

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28. No Assignment

The Executive may not assign, pledge or encumber the Executive's interest in this Agreement nor assign any of the rights or duties of the Executive under this Agreement without the prior written consent of the Corporation.

29. Statutory Deductions and Withholdings

All payments provided to the Executive pursuant to this Agreement are subject to necessary statutory deductions and withholdings.

30. Successors

This Agreement shall be binding on and enure to the benefit of the successors and assigns of the Corporation and the heirs, executors, personal legal representatives and permitted assigns of the Executive.

31. Entire Agreement

This Agreement contains the entire understanding of the Executive and the Corporation with respect to employment of the Executive and supersedes any and all prior understandings, written or oral. This Agreement may not be amended, waived, discharged or terminated orally but only by an instrument in writing executed by both parties.

32. Notices

Any notice or other communication required or permitted to be given hereunder shall be in writing and either delivered by hand or sent by facsimile. If delivery by hand or by facsimile, notice shall be deemed to have been received at the time it is delivered or received. Notices shall be addressed as follows:

- (a) If to the Corporation:

Celestica Inc.
1150 Eglinton Avenue East
Toronto, ON
M3C 1H7

Attention: General Counsel
Fax No.: (416) 448-2817

- (b) If to the Executive:

Craig H. Muhlhauser
94 Library Place
Princeton, NJ
U.S.A. 08540

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Fax No.: 609-924-1492

33. Legal Advice

The Executive hereby represents and warrants to the Corporation and acknowledges and agrees that the Executive had the opportunity to seek and was not prevented nor discouraged by the Corporation from seeking independent legal advice prior to the execution and delivery of this Agreement and that, in the event that the Executive did not avail himself or herself of that opportunity prior to signing this Agreement, the Executive did so voluntarily without any undue pressure and agrees that the Executive's failure to obtain independent legal advice shall not be used by the Executive as a defence to the enforcement of the Executive's obligations under this Agreement. The Corporation agrees to reimburse the Executive for the reasonable legal fees incurred by the Executive in obtaining such legal advice.

IN WITNESS WHEREOF the parties hereto have executed this Agreement effective as of the date first above written.

CELESTICA INC.

by /s/ Robert Crandall

Name:

Title:

CELESTICA INTERNATIONAL INC.

by /s/ Paul Nicoletti

Name:

Title:

CELESTICA CORPORATION

by /s/ Michael Pashos

Name:

Title:

SIGNED, SEALED & DELIVERED
in the presence of:



Witness (name):

/s/ Craig H. Muhlhauser

CRAIG H. MUHLHAUSER

EXECUTIVE EMPLOYMENT AGREEMENT

MEMORANDUM OF AGREEMENT amended and restated as of the 26 day of July, 2007.

BETWEEN

CELESTICA INC., a corporation incorporated under the laws of the Province of Ontario (hereinafter called the "Corporation"),

OF THE FIRST PART,

- and -

CELESTICA INTERNATIONAL INC., a corporation incorporated under the laws of the Province of Ontario, (hereinafter included as the Corporation),

OF THE SECOND PART,

- and -

PAUL NICOLETTI, of Toronto, Ontario (hereinafter called the "Executive"),

OF THE THIRD PART.

WHEREAS the Executive is Executive Vice President and Chief Financial Officer of the Corporation, and the Corporation wishes to continue to retain the services of the Executive to provide the services hereinafter described and the Executive wishes to continue to provide the Executive's services to the Corporation as hereinafter set forth;

AND WHEREAS the Corporation considers the establishment and maintenance of a sound and vital management to be essential to protecting and enhancing the best interests of the Corporation and its shareholders;

AND WHEREAS the Executive is a key management executive of the Corporation and is considered by the Corporation and the Board of Directors to be a valued employee of the Corporation who has acquired outstanding and special skills and abilities and an extensive background in and knowledge of the Corporation's business and industry in which it operates;

AND WHEREAS the Corporation recognizes the valuable services that the Executive has provided and is continuing to provide to the Corporation and believes that it is reasonable and fair to the Corporation that the Executive receive fair treatment upon any termination of the Executive's employment, in the event of a Change in Control (as hereinafter

defined) and upon any termination of the Executive's employment during the Change in Control Period (as hereinafter defined);

AND WHEREAS the Executive also acknowledges that the Executive's position has given and will give the Executive access to confidential information of substantial importance to the Corporation, its subsidiaries and their businesses and that the compensation set out in this Agreement is, in part, in consideration for the covenants set out in Section 13;

AND WHEREAS the Corporation and the Executive acknowledge that the compensation and benefits payable hereunder are reasonable having regard to all of the circumstances of the Executive's employment with the Corporation and having regard to executives in similar circumstances in large global companies;

AND WHEREAS the Board (as hereinafter defined) has determined that it would be in the best interests of the Corporation to induce the Executive to continue in the employ of the Corporation by indicating, among other things, that in the event of a Change in Control, the Executive would have certain automatic and guaranteed rights;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the mutual covenants and agreements herein contained and for other good and valuable consideration, the parties agree as follows:

1. Interpretation

In this Agreement, unless the context otherwise requires or unless otherwise indicated, the following terms shall have the following meanings, respectively:

- (a) "Annual Base Salary" shall have the meaning set out in section 4(a) of this Agreement;
- (b) "Board" means the Board of Directors of Celestica Inc.;
- (c) "Cause" means the occurrence of any of the following:
 - (i) wilful and continued failure by the Executive to substantially perform the Executive's duties (other than any such failure resulting from the Executive's incapacity due to physical or mental illness or the Executive becoming Permanently Disabled) after a demand for substantial performance is delivered in writing to the Executive from the Chief Executive Officer of the Corporation or the person performing the functions of the chief executive officer, which specifically identifies the manner in which the Executive has not substantially performed the Executive's duties and specifically identifies the manner in which such failure might be corrected, granting the Executive a period of thirty (30) days in which to effect such correction;

- (ii) wilful engaging by the Executive in gross misconduct which is demonstrably and materially injurious to the Corporation, monetarily or reputationally;
- (iii) the conviction of the Executive of a criminal offence involving dishonesty, fraud or other moral turpitude;
- (iv) the receipt by or on behalf of the Executive or any member of the Executive's immediate family (other than in his or her capacity as a shareholder of the Corporation) of any personal profit arising out of or in connection with a transaction to which the Corporation is a party without making disclosure to and obtaining the prior written consent of the Corporation;
- (v) the failure by the Executive to honor the Executive's fiduciary duties to the Corporation; or,
- (vi) the failure by the Executive to follow the direct written instructions of the Chief Executive Officer, provided that such instructions are not contrary to applicable law or generally accepted moral standards of business conduct,

provided that for purpose of subparagraphs (i) and (ii) of this definition, no act or failure to act by the Executive shall be considered "wilful" unless done or omitted to be done by the Executive in bad faith and without reasonable belief that the Executive's action or omission was in the best interests of the Corporation;

- (d) "Change in Control" means the occurrence of any of the following after the date hereof:
 - (i) the acquisition by any person or entity of beneficial ownership of securities of the Corporation which, directly or following conversion or exercise thereof, would entitle the holder thereof to cast more than 50% of the votes attaching to all securities of the Corporation which may be cast to elect directors of the Corporation, other than the additional acquisition of securities by a person or entity beneficially owning such number of securities on the date hereof; or
 - (ii) the consummation of an amalgamation, arrangement, merger or other consolidation of the Corporation with another corporation or a sale of all or substantially all of the assets of the Corporation to another corporation pursuant to which, and such that, all the persons who, immediately prior to such consummation, beneficially owned all of the securities of the Corporation which could be cast to elect directors of the Corporation, immediately thereafter do not beneficially own securities of the successor or continuing corporation or corporation acquiring the assets which would entitle such persons, directly or following conversion or

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exercise thereof, to cast more than 50% of the votes attaching to all securities of such corporation which may be cast to elect directors of that corporation (other than any such amalgamation, arrangement, merger or combination or sale of all or substantially all of the assets which is proposed or initiated, directly or indirectly, by the Executive (other than solely in the Executive's capacity as an executive or member of the Board acting in the best interests of the Corporation) or any corporation controlled by the Executive); or

- (iii) Incumbent Directors ceasing to constitute a majority of the Board as a consequence of the solicitation of proxies through a proxy circular by persons other than management;
- (e) "Change in Control Period" means the Potential Change in Control Period and the three year period after a Change in Control;
- (f) "Corporation" shall have the meaning first set forth above;
- (g) "CSUP" means, as applicable in the circumstances, the Celestica Share Unit Plan made as of December 9, 2004 and as amended from time to time and any other plan providing for equity or equity-based incentives or compensation other than the ESPO Plan or the LTIP;
- (h) "CSUP Rights" shall mean the Executive's entitlements and rights under and determined in accordance with CSUP or failing such provisions, in accordance with the terms in respect of the change in control or termination set out in the Board resolution authorizing the grant of such incentive or compensation, or such other, more favourable terms, that the Board, acting in its discretion, may determine;
- (i) "Date of Grant" shall have the meaning given to such term in the LTIP;
- (j) "Date of Termination" means the date of termination of the employment of the Executive by the Corporation or the date on which the Executive provides notice to the Corporation of the termination of the Executive's employment for Good Reason or Good Reason upon Change in Control and for greater certainty, any such date of termination shall be considered to be the last date on which the Executive is actively at work and shall not be considered to extend to a later date by virtue of any statutory, contractual or common law notice period;
- (k) "Employment Period" shall have the meaning set out in section 11(b) of this Agreement;
- (l) "ESPO Plan" means, as applicable in the circumstances, the Corporation's Employee Share Purchase and Option Plan made as of March 24, 1997, as amended and restated on November 8, 2000, and as may be further amended from time to time, or the Corporation's Canadian Employee Share Purchase and Option

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Plan made as of March 23, 1998, as amended and restated on November 8, 2000, and as may be further amended from time to time;

- (m) "ESPO Option" means an option to purchase shares in the capital of the Corporation granted under an ESPO Plan, which options have all vested as of the date of this Agreement;
- (n) "Executive" shall have the meaning first set forth above;
- (o) "Good Reason" for the voluntary termination by the Executive of the Executive's employment shall mean the occurrence (without the Executive's express written consent) of any one of the following acts by the Corporation, or failure by the Corporation to act, unless, in the case of any act or failure to act described in subsection (i), (v), (vi) or (viii) below, such act or failure to act is corrected prior to the Date of Termination:

- (i) the assignment to the Executive of any duties inconsistent in any material adverse respect with the Executive's position, authority, duties or responsibilities as they exist immediately prior to the time of such assignment or the diminution or adverse alteration in any material adverse respect of such position, authority, duties or responsibilities, excluding, for this purpose, any lateral transfer of the Executive and excluding an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Corporation promptly after receipt of notice thereof given by Executive;
- (ii) any reduction in the Executive's rate of Annual Base Salary, or any reduction in the Executive's total cash and stock compensation opportunities, including Annual Base Salary and incentives, for any fiscal year to less than 100% of the total cash and stock compensation opportunities made available to the Executive immediately prior to the time of such reduction, except as determined by the Board in good faith and consistent with past practice and current market conditions or failure by the Corporation to provide the Executive with total cash and stock compensation opportunities in accordance with any agreement between the Executive and the Corporation;
- (iii) the relocation of the Executive's principal place of employment to a location more than 100 kilometres outside the City of Toronto except for required travel on the Corporation's business to an extent substantially consistent with the Executive's present business travel obligations;
- (iv) the failure by the Corporation to pay to the Executive any portion of the Executive's current compensation within seven days of the date such compensation is due;

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- (v) the failure by the Corporation to continue to effect any compensation plan in which the Executive participates immediately prior to the time of such failure which is material to the Executive's total compensation, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Corporation to continue the Executive's participation therein (or in such substitute or alternative plan) on a basis not materially less favourable, both in terms of the amount or timing of payment of benefits provided and the level of the Executive's participation relative to other participants, as existed immediately prior to the time of such failure;
 - (vi) save and except where the Corporation implements a change to the benefits referred to in this paragraph that applies to all of the Corporation's employees in receipt of the benefit, the failure by the Corporation to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Corporation's pension, life insurance, medical, dental, health and accident or disability plans, programs or arrangements in which the Executive is participating immediately prior to the time of such failure or the taking of any other action by the Corporation which would directly or indirectly materially reduce any of such benefits or deprive the Executive of any material fringe benefit enjoyed by the Executive immediately prior to the time of the taking of such action, or the failure by the Corporation to continue to provide the Executive with the number of paid vacation days to which the Executive is entitled on the basis of years of service with the Corporation in accordance with the Corporation's normal vacation policy in effect immediately prior to the time of such failure;
 - (vii) the failure by the Corporation to obtain the assumption of the agreement to perform this Agreement by any successor as contemplated in Section 26 hereof; or,
 - (viii) any other purported termination by the Corporation of the Executive's employment other than for Cause.
- (p) "Good Reason Upon A Change in Control" for the voluntary termination by the Executive of the Executive's employment shall mean:
- (i) the occurrence of any of the acts or failure to act of the Corporation set out in Section 1(m)(i) through (viii) inclusive, unless, in the case of any act or failure to act described in Section 1(m)(i), m(v), m(vi) or m(viii), such act or failure to act is corrected prior to the Date of Termination, where such acts or failure to act occurs during the Change in Control Period; or

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- (ii) any breach of this Agreement by the Corporation during the Change in Control Period;
- (q) "Incumbent Director" means any member of the Board who was a member of the Board immediately prior to the occurrence of a transaction, transactions or elections giving rise to a Change in Control (other than a transaction approved by the Board) and any successor to an Incumbent Director who is recommended or elected or appointed to succeed an Incumbent Director by the affirmative vote of a majority of the Incumbent Directors then on the Board;
- (r) "LTIP" means the Corporation's Long-Term Incentive Plan made as of June 28, 1998, as amended and restated as of October 16, 2002, and as may be further amended from time to time;
- (s) "Option" means an option to purchase shares in the capital of the Corporation, and includes options granted under the LTIP and/or any other future plans but does not include options granted under an ESPO Plan;
- (t) "Performance-Contingent Options" means options granted under the LTIP and/or any other future plans, the vesting of which is determined in accordance with the achievement of performance targets established by the Board of Directors at the time of the grant of the options;
- (u) "Performance Units" shall have the meaning given to such term in the LTIP;
- (v) "Permanently Disabled" shall have the meaning set out in section 11(b) of this Agreement;
- (w) "Potential Change in Control" shall be deemed to have occurred if any one of the following occurs:
- (i) the Corporation enters into a binding agreement, the consummation of which would result in the occurrence of a Change in Control;
 - (ii) the Corporation publicly announces an intention to take or to consider taking action which, if consummated, would constitute a Change in Control; or
 - (iii) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred;
- (x) "Potential Change in Control Period" shall commence upon the occurrence of a Potential Change in Control and shall lapse immediately following the first to occur of:

- (i) a Change in Control; or
- (ii) the first anniversary of the occurrence of a Potential Change in Control;

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- (iii) "Right" means a stock appreciation right and includes stock appreciation rights granted under the LTIP and/or any other future plans;
- (y) "Shares" shall have the meaning given to such term in the LTIP;
- (z) "Target Bonus" means eighty percent (80%) of the Executive's Annual Base Salary or such higher percentage of the Executive's Annual Base Salary as may be approved by the Board from time to time;
- (aa) "Trade Secrets" shall have the meaning set out in section 13(a) of this Agreement; and
- (bb) "Year" shall have the meaning given to such term in the LTIP.

2. Position – Capacity and Services

The Executive shall continue to serve the Corporation and any subsidiaries of the Corporation in such capacity or capacities and shall perform such duties and exercise such powers pertaining to the management and operation of the Corporation and any subsidiaries and associates of the Corporation (as those terms are defined in the Business Corporations Act (Ontario)) as may be determined from time to time by the Chief Executive Officer of the Corporation consistent with the office of the Executive. It is acknowledged and agreed that the duties and responsibilities of the Executive may be adjusted from time to time by the Chief Executive Officer of the Corporation as the Chief Executive Officer of the Corporation may determine to be appropriate in light of growth and other changes in the business and affairs of the Corporation and its subsidiaries and associates (but not in such a manner as would constitute Good Reason or Good Reason upon a Change in Control). Without limitation of the foregoing, the Executive shall occupy the office of Senior Vice President and Corporate Treasurer of the Corporation and shall:

- (a) devote all of the Executive's business time and attention and the Executive's best efforts to the business and affairs of the Corporation, provided however, that the Executive may serve as a member of a board of directors of an entity if the Board, or an appropriate committee thereof, determines in its sole discretion that such membership is not averse to the interests of the Corporation;
- (b) perform those duties that may reasonably be assigned to the Executive diligently and faithfully to the best of the Executive's abilities and in the best interests of the Corporation; and
- (c) use the Executive's best efforts to promote the interests and goodwill of the Corporation.

3. Reporting Procedures

The Executive shall report to the Chief Executive Officer of the Corporation. The Executive shall report fully to the Chief Executive Officer of the Corporation on the Executive's scope of responsibility and advise to the best of the Executive's ability and in accordance with

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reasonable business standards on business matters that may arise within such scope of responsibility from time to time.

4. Remuneration

(a) Annual Base Salary. The annual base salary (the "Annual Base Salary") payable to the Executive for the Executive's services hereunder for the term of this Agreement shall be as determined by the Board from time to time, and shall be exclusive of bonuses, benefits and other compensation. The Annual Base Salary shall be payable in equal bi-monthly instalments in arrears in accordance with existing practice, or in such other manner as may be mutually agreed upon, less, in any case, any deductions or withholdings required by law.

(b) Additional Remuneration and Benefits. The Corporation shall provide the Executive with employee benefits comparable to those provided by the Corporation from time to time to other senior executive officers of the Corporation and shall permit the Executive to participate in any bonus plan, incentive plan, share option plan, share purchase plan, retirement plan, or similar plan offered by the Corporation from time to time to its senior executive officers in the manner and to the extent authorized by the Board.

5. Salary and Bonus Adjustments

The Chief Executive Officer of the Corporation shall review the compensation arrangements relating to the Executive at least once per calendar year, including the Annual Base Salary, any executive bonus and any incentive plan(s) applicable to the Executive. If the Chief Executive Officer of the Corporation shall determine that it is advisable to do so, the Chief Executive Officer of the Corporation may recommend to the Board that such compensation arrangements be reviewed and/or adjusted.

6. Vacation

The Executive shall be entitled to paid vacation in each fiscal year of the Corporation in accordance with the Corporation's vacation policy for employees of the Corporation (including the Executive) that is currently in effect, as it may change from time to time. The Executive's paid vacation is to be taken at a time approved in advance by the Chief Financial Officer of the Corporation, which approval shall not be unreasonably withheld but shall take into account the staffing requirements of the Corporation and the need for the timely performance of the Executive's responsibilities. In the event that the Executive decides not to take all the vacation to which the Executive is entitled in any fiscal year, the Executive's entitlement to take any such vacation in the next following fiscal year shall be determined in accordance with the Corporation's vacation policy for employees of the Corporation (including the Executive) in effect from time to time.

7. Expenses

The Executive shall be reimbursed for all reasonable travel and out-of-pocket expenses actually and properly incurred by the Executive from time to time in connection with carrying out the Executive's duties hereunder. For all such expenses the Executive shall furnish

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to the Corporation originals of all invoices, receipts or statements in respect of which the Executive seeks reimbursement as and when required by the Corporation's normal procedures for the submission of expense reports by employees of the Corporation.

8. Relocation

The location at which the Executive shall normally be required to attend for the purposes of performing his employment duties shall not, without the prior consent of the Executive, be located more than 100 kilometres outside the City of Toronto, except that this provision shall not be taken to limit the obligation of the Executive to undertake such reasonable business travel from time to time as is concomitant with the duties and office of the Executive.

9. Continuation of Employment upon a Change in Control

Upon a Change in Control, the Corporation agrees to continue the Executive in its employ, in accordance with the terms and provisions of this Agreement, on the same terms and conditions which were in effect immediately prior to the Change in Control or on such other terms as may be subsequently agreed upon in writing between the Corporation and the Executive.

10. Vesting of Options, Stock Appreciation Rights, Performance-Contingent Options, Performance Units and CSUP Rights

(a) **Options and Stock Appreciation Rights.** Upon a Change in Control or upon termination of the Executive's employment without cause during the Change in Control Period or voluntary termination by the Executive of the Executive's employment for Good Reason during the Change in Control Period, all unvested and unexercised Options and Rights granted to the Executive shall vest immediately and shall become exercisable in accordance with the terms of each such Option or Right or the plan governing each such Option or Right.

(b) **Performance-Contingent Options.** Upon a Change in Control or upon termination of the Executive's employment without cause during the Change in Control Period or voluntary termination by the Executive of the Executive's employment for Good Reason during the Change in Control Period, all unvested and unexercised Performance-Contingent Options granted to the Executive shall become eligible for vesting and shall vest immediately, the extent of such vesting to occur in accordance with the terms governing vesting on change of control set out in the Board resolution authorizing the grant of such Performance Contingent Options or such other, more favourable, terms as the Board, acting in its discretion, may determine, and shall become exercisable in accordance with the terms of each such Performance-Contingent Option or the plan governing each such Performance-Contingent Options.

(c) **Performance Units.** Upon a Change in Control or upon termination of the Executive's employment without cause during the Change in Control Period or voluntary termination by the Executive of the Executive's employment for Good Reason during the Change in Control Period, all Performance Units allocated to the Executive under the LTIP shall be issued or provided in the form of Shares to the Executive.

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(d) **CSUP Rights.** Upon a Change in Control or upon termination of the Executive's employment without cause during the Change in Control Period or voluntary termination by the Executive of the Executive's employment for Good Reason during the Change in Control Period, the change of control provisions of the CSUP shall be deemed to be triggered and the Executive shall be entitled to the Executive's CSUP Rights in respect thereto.

11. Termination

(a) **Termination for Cause.** The Corporation may terminate the employment of the Executive for Cause without notice or any payment in lieu of notice.

(b) **Termination on Disability or Death.** The Executive's employment hereunder may be immediately terminated by the Corporation by notice to the Executive if the Executive becomes permanently disabled ("Permanently Disabled"). The Executive shall be deemed to have become Permanently Disabled if in any year during the period of the Executive's employment with the Corporation pursuant hereto (the "Employment Period"), because of ill health, physical or mental disability, or for other causes beyond the control of the Executive, the Executive has been continuously unable or unwilling or has failed to perform the Executive's duties for 120 consecutive days, or if, during any year of the Employment Period, the Executive has been unable or unwilling or has failed to perform the Executive's duties for a total of 180 days, consecutive or not. The term "any year of the Employment Period" means any period of 12 consecutive months during the Employment Period. This Agreement shall terminate automatically without notice upon the death of the Executive.

(c) **Resignation by the Executive.** The Executive may resign the Executive's employment with the Corporation at any time upon giving sixty (60) days' written notice to the Corporation. The Corporation may waive such notice in whole or in part. If the Executive resigns the Executive's employment, the Corporation shall have no further obligations or responsibilities hereunder to the Executive.

12. Severance Payments and Entitlements

(a) **Termination for Cause.** Upon termination of the Executive's employment for Cause as described in Section 11(a), the Executive shall not be entitled to any payments other than the unpaid Annual Base Salary earned by the Executive before the Date of Termination calculated pro rata up to and including the Date of Termination together with any payment for notice or severance to which the Executive is entitled under the applicable employment legislation in force from time to time. The Executive's Options, Performance Contingent Options, Performance Units and Rights granted under the LTIP and any CSUP Rights terminate effective the Date of Termination and may not be exercised thereafter.

(b) **Termination on Disability or Death.** Upon termination of the Executive's employment by reason of the Executive becoming Permanently Disabled or on the death of the Executive as described in section 11(b), except as otherwise provided under the ESPO Plan, the LTIP, the CSUP or under the Corporation's applicable incentive plans, life insurance, pension plan, medical, dental, health and accident and disability plans and pension and retiree benefit plans, the Executive or, in the case of death, the Executive's family, shall not be entitled to

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receive any payments other than the unpaid Annual Base Salary earned by the Executive to the date of the Executive becoming Permanently Disabled or the date of the Executive's death and, in the event of the Executive's death, that portion, if any, of the Executive's annual bonus that would be paid out in accordance with the Corporation's policy with respect to same in effect at the date of the Executive's death. Notwithstanding the foregoing, nothing in this provision shall affect the Executive's right to claim or receive death or disability benefits provided for in section 4(b) of this Agreement.

(c) **Termination without Cause or for Good Reason.** Upon (i) termination of the Executive's employment without Cause, or (ii) voluntary termination by the Executive of the Executive's employment for Good Reason:

- (i) the Executive shall be entitled to receive, and the Corporation shall pay to the Executive, in lieu of two years' notice of termination, the aggregate of the following amounts (less any deductions required by law):
 - (A) if not theretofore paid, that portion of the Annual Base Salary earned by or payable to the Executive during the then current fiscal year of the Corporation for the period to and including the Date of Termination, together with all benefits payable to the Executive through to and including the Date of Termination under the terms of the Corporation's benefit plans, programs or arrangements as in effect immediately prior to the Date of Termination;
 - (B) a pro rated portion of the Executive's Target Bonus calculated by multiplying (1) the Target Bonus by (2) a fraction, the numerator of which is the number of days in the applicable fiscal year through to and including the Date of Termination and the denominator of which is 365; and
 - (C) a lump sum payment in cash equal to two times the sum of (1) the Annual Base Salary at the Date of Termination, and (2) the Executive's Target Bonus;
- (ii) (A) the Corporation shall maintain in full force and effect, for the continued benefit of the Executive and the Executive's family, until two years after the Date of Termination, all life insurance, medical, dental, health and accident and disability plans, programs or arrangements in which the Executive was entitled to participate immediately prior to the Date of Termination (or in the case of voluntary termination by the Executive for Good Reason upon or following a Change in Control as a result of a reduction in benefits, if more favourable to the Executive, such coverage and terms as were in effect immediately prior to the Change in Control) at a cost to the Executive no greater than that which the Executive paid while employed, provided that the Executive's continued

participation is possible under the general terms and provisions of such plans and programs. In the event that the Executive's participation is barred, the Corporation shall arrange to provide the Executive, at the Corporation's expense, with benefits substantially similar to those which the Executive is entitled to receive under such plans, programs or arrangements; or

- (B) at the Executive's request, the Corporation will make a cash payment in an amount equal to the then estimated net present value (as determined by the Board, acting reasonably, assuming that the Executive would be employed by the Corporation for the ensuing two years and using as a discount rate the Corporation's cost of funds under its principal bank working capital credit lines) of such benefits for the two-year period following the Date of Termination;
- (iii) those Options, Performance-Contingent Options and Rights granted to the Executive that would have otherwise vested and become exercisable during the twelve-week period following the Date of Termination shall vest and become exercisable during such twelve-week period in accordance with their terms and, together with any Options, Performance-Contingent Options and Rights that vested prior to the Date of Termination, shall terminate and may not be exercised after the earlier of thirty (30) days after the expiry of such twelve week period and the original expiry date of such Option, Performance-Contingent Option or Right;
- (iv) all unexercised ESPO Options granted to the Executive shall be exercisable until the earlier of a twelve week and thirty day period after the Date of Termination and the ESPO Option's original date of expiry;
- (v) those Performance Units allocated to the Executive under the LTIP which are not already issued or provided in the form of Shares to the Executive shall be issued or provided in the form of Shares to the Executive on the following basis:

| If Date of Termination occurs in: | % of related Performance Units to be issued or provided in the form of Shares: |
|--|---|
| 1 st Year following Date of Grant | 33-1/3% |
| 2 nd Year following Date of Grant | 66-2/3% |
| 3 rd Year following Date of Grant | 100% |

- (vi) the Executive shall have the Executive's CSUP Rights in such event; and;

- (vii) for greater certainty and notwithstanding anything to the contrary contained in the Celestica Retirement Plan (the "Plan") and the Celestica Supplementary Retirement Plan (the "SERP"), in respect of the two year notice period following the Date of Termination, the Corporation shall contribute to the Executive's Retirement Account (as defined under the Plan) and credit notional contributions to the Executive's Uncapped Retirement Account (as defined under the SERP) and investment earnings will continue to be earned (or notionally earned in the case of the Uncapped Retirement Account), in accordance with the terms of the Plan and the SERP, respectively, based on the Compensation (as defined under the Plan) that the Executive would otherwise have received from the Corporation had the Executive's employment not been terminated. At the end of the two year notice period, the Executive will receive his or her Retirement Account and Uncapped Retirement Account balances in accordance with the terms of the Plan and the SERP, respectively.

(d) **Termination During the Change in Control Period or for Good Reason During the Change in Control Period.** Upon (i) termination of the Executive's employment by the Corporation during the Change in Control Period other than for Cause, or (ii) voluntary termination by the Executive of the Executive's employment for Good Reason upon a Change in Control:

- (i) in lieu of notice, the Corporation shall pay to the Executive the aggregate of the following amounts (less any deductions required by law):
 - (A) if not theretofore paid, that portion of the Annual Base Salary earned by or payable to the Executive during the then current fiscal year of the Corporation for the period to and including the Date of Termination, together with all benefits payable to the Executive through to and including the Date of Termination under the terms of the Corporation's benefit plans, programs or arrangements as in effect immediately prior to the Date of Termination;
 - (B) a pro rated portion of the Executive's Target Bonus calculated by multiplying (1) the Target Bonus by (2) a fraction, the numerator of which is the number of days in the applicable fiscal year through to and including the Date of Termination and the denominator of which is 365; and

- (C) a lump sum payment in cash equal to three times the sum of (x) the Annual Base Salary at the Date of Termination, and (y) the Executive's Target Bonus;
- (ii) (A) the Corporation shall maintain in full force and effect, for the continued benefit of the Executive and the Executive's family, until three years after the Date of Termination, all life insurance, medical, dental, health and accident and disability plans, programs

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or arrangements in which the Executive was entitled to participate immediately prior to the Date of Termination (or in the case of voluntary termination by the Executive for Good Reason upon or following a Change in Control as a result of a reduction in benefits, if more favourable to the Executive, such coverage and terms as were in effect immediately prior to the Change in Control) at a cost to the Executive no greater than that which the Executive paid while employed, provided that the Executive's continued participation is possible under the general terms and provisions of such plans and programs. In the event that the Executive's participation is barred, the Corporation shall arrange to provide the Executive, at the Corporation's expense, with benefits substantially similar to those which the Executive is entitled to receive under such plans, programs or arrangements; or

- (B) at the Executive's request, the Corporation will make a cash payment in an amount equal to the then estimated net present value (as determined by the Board, acting reasonably, assuming that the Executive would be employed by the Corporation for the ensuing three years and using as a discount rate the Corporation's cost of funds under its principal bank working capital credit lines) of such benefits for the three-year period following the Date of Termination;
- (iii) all Options and Rights vest pursuant to section 10(a) hereof and shall be exercisable for the remainder of the term to expiry of each such Option or Right;
- (iv) all unexercised ESPO Options granted to the Executive shall be exercisable until the earlier of a three year and thirty day period following the date of Termination and the ESPO Option's original date of expiry;
- (v) all Performance-Contingent Options vest pursuant to section 10(b) hereof and shall be exercisable for the remainder of the term to expiry of each such Performance-Contingent Option; and,
- (vi) the Executive shall have the Executive's CSUP Rights in such event; and,
- (vii) for greater certainty and notwithstanding anything to the contrary contained in the Plan and the SERP, in respect of the three year notice period following the Date of Termination, the Corporation shall contribute to the Executive's Retirement Account (as defined under the Plan) and credit notional contributions to the Executive's Uncapped Retirement Account (as defined under the SERP) and investment earnings will continue to be earned (or notionally earned in the case of

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the Uncapped Retirement Account), in accordance with the terms of the Plan and the SERP, respectively, based on the Compensation (as defined under the Plan) that the Executive would otherwise have received from the Corporation had the Executive's employment not been terminated. At the end of the three year notice period, the Executive will receive his or her Retirement Account and Uncapped Retirement Account in accordance with the terms of the Plan and the SERP, respectively.

(e) **Notice of Termination by the Executive for Good Reason or Good Reason upon a Change in Control.** Any termination of employment by the Executive for Good Reason or for Good Reason upon a Change in Control shall: be communicated in writing by the Executive; indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail any facts and circumstances claimed to provide a basis for the termination of the Executive's employment under the provision so indicated; and, be delivered within sixty (60) days of the act or failure to act giving rise to the Good Reason or Good Reason upon a Change in Control. The Executive shall not be required to report to work or perform services for the Corporation subsequent to the Corporation's receipt of the Executive's notice of termination.

(f) **Executive Entitlement When Dispute.** All amounts payable, benefits due or owed or amounts payable in lieu of benefits under Section 12 shall, unless otherwise specifically provided, be paid by the Corporation to the Executive within thirty days of the Date of Termination, notwithstanding that the Corporation may dispute the Executive's entitlement to such amounts. The Executive is entitled to receive all amounts owing under Section 12, and the Corporation shall not initiate any injunctive proceedings in a court of competent jurisdiction or any arbitration proceeding pursuant to Section 18 to prevent the Executive from enforcing his right to receive such amounts, and should the Corporation initiate any proceeding disputing the Executive's entitlement to such amounts, the Corporation agrees to continue to provide such amounts to the Executive in accordance with the terms of this Agreement, pending final resolution of the dispute by an arbitrator pursuant to Section 18 (it being acknowledged and agreed by the parties that a court of competent jurisdiction can issue only an interim injunction on the question of the Executive's entitlements under Section 12).

13. Confidentiality, Non-Solicitation and Non-Competition

- (a) The Executive acknowledges and agrees that:
 - (i) in the course of performing the Executive's duties and responsibilities as an officer of the Corporation, the Executive has had and will be entrusted with detailed confidential information and trade secrets (printed or otherwise) concerning past, present, future, and contemplated products, services, operations and marketing techniques and procedures of the Corporation and its subsidiaries, including, without limitation, business plans, inventions, pending and undisclosed patents and patent applications, proprietary business methods and proprietary manufacturing operations, proprietary product and proprietary manufacturing information, know how, and information relating to

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addresses, preferences, needs and requirements of past, present and prospective clients, customers, suppliers and employees of the Corporation and its subsidiaries (collectively, "Trade Secrets"), the disclosure of any of which to competitors of the Corporation or to the general public, or

the use of same by the Executive or any competitor of the Corporation or any of its subsidiaries, would be highly detrimental to the interests of the Corporation;

- (ii) in the course of performing the Executive's duties and responsibilities for the Corporation, the Executive has been and will continue in the future to be a representative of the Corporation to its customers, clients and suppliers and as such has had and will continue in the future to have significant responsibility for maintaining and enhancing the goodwill of the Corporation with such customers, clients and suppliers and would not have, except by virtue of the Executive's employment with the Corporation, developed a close and direct relationship with the customers, clients and suppliers of the Corporation;
 - (iii) the Executive's services are extraordinary and unique;
 - (iv) the Corporation has a proprietary interest in its customers and clients;
 - (v) the Executive, as an officer of the Corporation, owes fiduciary duties to the Corporation, including the duty to act in the best interests of the Corporation; and,
 - (vi) the right to maintain the confidentiality of the Trade Secrets, the right to preserve the goodwill of the Corporation and the right to the benefit of any relationships that have developed between the Executive and the customers, clients and suppliers of the Corporation by virtue of the Executive's employment with the Corporation constitute proprietary rights of the Corporation, that the Corporation is entitled to protect.
- (b) In acknowledgment of the matters set out in (a) above, and in consideration of the payments to be received by the Executive pursuant to this Agreement, the Executive hereby agrees that the Executive will not, during the term of the Executive's employment with the Corporation and for two years from either the Date of Termination or the Executive's resignation of the Executive's employment:
- (i) directly or indirectly disclose to any person or in any way make use of (other than for the benefit of the Corporation), in any manner, any of the Trade Secrets, provided that such Trade Secrets shall be deemed not to include information that is or becomes generally available to the public other than as a result of disclosure by the Executive;

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- (ii) be a party to or abet any solicitation of customers, clients, or suppliers of the Corporation or any of its subsidiaries or associates, to transfer business from the Corporation or any of its subsidiaries or associates to any other person, or seek in any way to persuade or entice any employee of the Corporation or any of its subsidiaries or associates to leave that employment or to be a party to or abet any such action;
 - (iii) either individually or in partnership or jointly or in conjunction with any person or persons, firm, association, syndicate, company or corporation, as principal, agent, shareholder (unless passive investor) or in any other manner whatsoever, be involved with any business that is in competition with the business of the Corporation which business means the electronics manufacturing services business (the "Business of the Corporation"). During the same time period, the Executive will not carry on or be engaged in or concerned with or interested in, or advise, lend money to, guarantee the debts or obligations of, or permit the Executive's name or any part thereof to be used or employed by or associated with, any person or persons, firm, association, syndicate, company or corporation in any business that is involved in any similar business in which the Corporation is involved during the course of the Executive's employment
- (c) If any court determines that any provision contained in Section 13 including, without limitation, a restrictive covenant or any part thereof is unenforceable because of the duration or geographical scope of the provision or for any other reason, the duration or scope of the provision, as the case may be, shall be reduced so that the provision becomes enforceable and, in its reduced form, the provision shall then be enforceable and shall be enforced;
- (d) The Executive acknowledges that the Executive's employment by the Corporation and all compensation and benefits and potential compensation and benefits to the Executive from such employment were and will be conferred by the Corporation upon the Executive in part because and on condition of the Executive's willingness to commit the Executive's best efforts and loyalty to the Corporation, including protecting the Corporation's right to have its Trade Secrets protected from non-disclosure by the Executive and abiding by the confidentiality, non-competition and other provisions herein. The Executive understands the Executive's duties and obligations as set forth in Section 13 and agrees that such duties and obligations would not unduly restrict or curtail the Executive's legitimate efforts to earn a livelihood following any termination of the Executive's employment with the Corporation. The Executive agrees that the restrictions contained in Section 13 are reasonable and valid and all defences to the strict enforcement thereof by the Corporation are waived by the Executive. The Executive further acknowledges that irreparable damage would result to the Corporation if the provisions of Sections 13(b)(i) to (iii) are not specifically enforced, and agrees that the Corporation shall be entitled to any appropriate

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legal, equitable, or other remedy, including injunctive relief, in respect of any failure or continuing failure to comply with the provisions of Sections 13(b)(i) to (iii);

- (e) The preceding covenants do not prohibit investment, up to a maximum of five percent (5%) of the outstanding shares, in a corporation whose shares are listed on a recognized stock exchange and which carries on a business similar to the Business of the Corporation.

14. Return of Materials

All files, forms, brochures, books, materials, written correspondence, memoranda, documents, manuals, computer disks, software products and lists (including lists of customers, suppliers, products and prices) pertaining to the business of the Corporation or any of its subsidiaries and associates that may come into the possession or control of the Executive shall at all times remain the property of the Corporation or such subsidiary or associate, as the case may be. On termination of the Executive's employment for any reason, the Executive agrees to deliver promptly to the Corporation all such property in the possession of the Executive or directly or indirectly under the control of the Executive. The Executive agrees not to make for the Executive's personal or business use or that of any other party, reproductions or copies of any such property or other property of the Corporation or any of its subsidiaries or associates.

15. Duty to Mitigate

The Executive shall not be subject to any duty or obligation to seek alternate employment or other sources of income or benefits, or to mitigate the Executive's damages, or to any similar duty or obligation and any compensation earned by the Executive after the Date of Termination shall not be deducted from any

payments to be made to the Executive pursuant to this Agreement following or as a result of: (a) voluntary termination by the Executive of the Executive's employment for Good Reason or Good Reason during the Change in Control Period; or, (b) termination of the employment of the Executive by the Corporation other than for Cause.

16. Further Assurances

Each of the Corporation and the Executive agrees to execute and deliver all such documents and to do all such acts and things as the other party may reasonably request and as may be lawful and within its powers to do or to cause to be done in order to carry out and/or implement the provisions or intent of this Agreement, including, without limitation, seeking all such governmental, regulatory and other third party approvals as may be necessary or desirable. Without limiting the generality of the foregoing, the Corporation agrees to execute and deliver all such documents and to do all such acts and things as the Executive may reasonably request and as may be lawful and within the power of the Corporation to do or cause to be done in order to minimize any tax consequences to the Executive or his estate or his legal personal representatives in respect of the payment or performance by the Corporation of the obligations of the Corporation upon or in respect of payments or actions required to be made or taken by or on behalf of the Corporation in the event of termination of the Executive's employment hereunder; provided that the Corporation shall in no way be prejudiced thereby.

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17. Governing Law

The Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

18. Arbitration Clause

(a) With the exception of Article 13, where there is any dispute as to any provision of this Agreement and the Executive and the Corporation are unable to come to a mutual agreement within a period of 10 days from the date on which one party advises the other party, in writing, of the dispute, within 10 days after the expiry of such period, either party may give written notice of the issue on which a mutual decision has not been made to an arbitrator selected from (c) below, with a copy of the notice to the other party.

Upon receipt of such notice, the arbitrator will contact each of the parties and attempt to resolve the matter within 5 days of receipt of the notice, failing which the arbitrator shall schedule a hearing to commence within 90 days thereafter, that hearing to conclude and the decision to be rendered within 120 days (or such later time as agreed upon between the parties) thereafter.

It is understood and agreed the arbitrator shall have the sole discretion to establish a procedure for the conduct of the arbitration, provided only that such procedure shall give to each party an opportunity to state and argue their respective positions, either in writing or orally in the presence of the arbitrator and each other party and whether with or without reply or rejoinder. The decision of the arbitrator shall be final and binding.

Any arbitration pursuant to this clause shall be in accordance with the *Arbitrations Act (Ontario)*.

(b) It is understood that the Executive and the Corporation would prefer to avoid litigation due to a possible breach of Article 13, upon the acceptance of a new position by the Executive. As a result, the parties agree that where the Executive is considering a new position, particularly following termination of employment, the Executive may seek the prior agreement of the Corporation that such new position is not with a competitor of the Corporation. Where there is a disagreement as to whether this new position is with a competitor of the Corporation (and the Executive has not accepted any offer and commenced employment in respect thereof), the parties agree to have this issue finally determined on an expedited basis by an agreed upon arbitrator as set out in (c) below. The process and authority of the arbitrator shall be as described above, except that in this case only the hearing must be concluded and the decision rendered within 30 days of the arbitrator receiving notice of the dispute.

(c) For the purpose of this Agreement, the parties agree that any one of the following can be selected as the arbitrator: Mr. Justice George Adams, William Kaplan, Maureen K. Saltman or Daniel J. Baum, or any other arbitrator the parties mutually agree upon should none of these arbitrators be available within the timelines set out herein.

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19. Severability

With the exception of Section 13, if any provision of the Agreement, including the breadth or scope of such provision, shall be held by an arbitrator pursuant to Section 18 to be invalid or unenforceable, in whole or in part, such invalidity or unenforceability shall not affect the validity or enforceability of the remaining provisions, or part thereof, of this Agreement and such remaining provisions, or part thereof, shall remain enforceable and binding.

20. Representations and Warranties

The Executive represents and warrants to the Corporation that the execution and performance of this Agreement will not result in or constitute a default, breach, or violation, or an event that, with notice or lapse of time or both, would be a default, breach, or violation, of any understanding, agreement or commitment, written or oral, express or implied, to which the Executive is a party or by which the Executive or the Executive's property is bound. The Executive shall defend, indemnify and hold the Corporation harmless from any liability, expense or claim (including solicitor's fees incurred in respect thereof) by any person in any way arising out of, relating to, or in connection with any incorrectness or breach of the representations and warranties in this Section 20.

21. Severability

If any provision of the Agreement, including the breadth or scope of such provision, shall be held by any court of competent jurisdiction to be invalid or unenforceable, in whole or in part, such invalidity or unenforceability shall not affect the validity or enforceability of the remaining provisions, or part thereof, of this Agreement and such remaining provisions, or part thereof, shall remain enforceable and binding.

22. Representations and Warranties

The Executive represents and warrants to the Corporation that the execution and performance of this Agreement will not result in or constitute a default, breach, or violation, or an event that, with notice or lapse of time or both, would be a default, breach, or violation, of any understanding, agreement or commitment, written or oral, express or implied, to which the Executive is a party or by which the Executive or the Executive's property is bound. The Executive shall defend, indemnify and hold the Corporation harmless from any liability, expense or claim (including solicitor's fees incurred in respect thereof) by any person in any way arising out of, relating to, or in connection with any incorrectness or breach of the representations and warranties in this Section 19.

23. Rights and Waivers

24. Waiver

Any purported waiver of any default, breach or non-compliance under this Agreement is not effective unless in writing and signed by the party to be bound by the waiver. No waiver shall be inferred from or implied by any failure to act or delay in acting by a party in respect of any default, breach or non-observance or by anything done or omitted to be done by the other party. The waiver by a party of any default, breach or non-compliance under this Agreement shall not operate as a waiver of that party's rights under this Agreement in respect of any continuing or subsequent default, breach or non-observance (whether of the same or any other nature).

25. Time of Essence

Time shall be of the essence of this Agreement in all respects.

26. Headings

The division of this Agreement into Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

27. Full Satisfaction

The terms set out in this Agreement, provided that such terms are satisfied by the Corporation, are in lieu of (and not in addition to) and in full satisfaction of any and all other claims or entitlements which the Executive has or may have upon the termination of the Executive's employment and the compliance by the Corporation with these terms will effect a full and complete release of the Corporation and its parent and their respective affiliates, associates, subsidiaries and related companies from any and all claims which the Executive may have for whatever reason or cause in connection with the Executive's employment and the termination of it, other than those obligations specifically set out in this Agreement. In agreeing to the terms set out in this Agreement, the Executive specifically agrees to execute a formal release document to that effect and will deliver upon request appropriate resignations from all offices and positions with the Corporation and its parent and their respective affiliated, associated subsidiary or affiliated companies if, as and when requested by the Corporation upon termination of the Executive's employment within the circumstances contemplated by this Agreement.

28. Successors; Binding Agreement

The Corporation will require any successor (whether direct or indirect, by purchase, amalgamation, arrangement, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Corporation to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform it if no such succession had taken place. Failure of the Corporation to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Corporation in the same amount and on

the same terms as the Executive would be entitled hereunder if the Executive were terminated in circumstances giving rise to the payment of benefits pursuant to Section 12 hereof except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. The foregoing shall not in any way limit the rights of the Executive hereunder if such succession constitutes a Change in Control. As used in this Agreement, "Corporation" shall mean the Corporation as hereinbefore defined and any successor to its business and/or assets as aforesaid which executes and delivers the agreement provided for in this paragraph or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

29. No Assignment

The Executive may not assign, pledge or encumber the Executive's interest in this Agreement nor assign any of the rights or duties of the Executive under this Agreement without the prior written consent of the Corporation.

30. Statutory Deductions and Withholdings

All payments provided to the Executive pursuant to this Agreement are subject to necessary statutory deductions and withholdings.

31. Successors

This Agreement shall be binding on and enure to the benefit of the successors and assigns of the Corporation and the heirs, executors, personal legal representatives and permitted assigns of the Executive.

32. Entire Agreement

This Agreement contains the entire understanding of the Executive and the Corporation with respect to employment of the Executive and supersedes any and all prior understandings, written or oral. This Agreement may not be amended, waived, discharged or terminated orally but only by an instrument in writing executed by both parties.

33. Notices

Any notice or other communication required or permitted to be given hereunder shall be in writing and either delivered by hand or sent by facsimile. If delivery by hand or by facsimile, notice shall be deemed to have been received at the time it is delivered or received. Notices shall be addressed as follows:

- (a) If to the Corporation:

Celestica Inc.
12 Concorde Place, 5th Floor
Toronto, ON
M3C 3R8

Attention: General Counsel
Fax No.: (416) 448-2817

(b) If to the Executive:

Paul Nicoletti
32 Kilbarray Road
Toronto, ON M5P 1K5

Fax No.: 416-484-9376

34. Legal Advice

The Executive hereby represents and warrants to the Corporation and acknowledges and agrees that the Executive had the opportunity to seek and was not prevented nor discouraged by the Corporation from seeking independent legal advice prior to the execution and delivery of this Agreement and that, in the event that the Executive did not avail himself or herself of that opportunity prior to signing this Agreement, the Executive did so voluntarily without any undue pressure and agrees that the Executive's failure to obtain independent legal advice shall not be used by the Executive as a defence to the enforcement of the Executive's obligations under this Agreement. The Corporation agrees to reimburse the Executive for the reasonable legal fees incurred by the Executive in obtaining such legal advice.

IN WITNESS WHEREOF the parties hereto have executed this Agreement effective as of the date first above written.

CELESTICA INC.

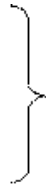
by /s/ Craig Muhlhauser
Name: Craig Muhlhauser
Title: Chief Executive Officer

CELESTICA INTERNATIONAL INC.

by /s/ Craig Muhlhauser
Name: Craig Muhlhauser
Title: Chief Executive Officer

SIGNED, SEALED & DELIVERED
in the presence of:

/s/ Elizabeth L. DelBianco
Witness: Elizabeth DelBianco



/s/ Paul Nicoletti
Paul Nicoletti

EXECUTIVE EMPLOYMENT AGREEMENT

MEMORANDUM OF AGREEMENT amended and restated as of the 1st day of January, 2008.

BETWEEN

CELESTICA INC., a corporation incorporated under the laws of the Province of Ontario (hereinafter called the "Corporation"),

OF THE FIRST PART,

- and -

CELESTICA INTERNATIONAL INC., a corporation incorporated under the laws of the Province of Ontario, (hereinafter included as the Corporation),

OF THE SECOND PART,

- and -

ELIZABETH L. DELBIANCO, of Toronto, Ontario (hereinafter called the "Executive"),

OF THE THIRD PART.

WHEREAS the Executive is Executive Vice President, Chief Legal and Administrative Officer and Corporate Secretary of the Corporation, and the Corporation wishes to continue to retain the services of the Executive to provide the services hereinafter described and the Executive wishes to continue to provide the Executive's services to the Corporation as hereinafter set forth;

AND WHEREAS the Corporation considers the establishment and maintenance of a sound and vital management to be essential to protecting and enhancing the best interests of the Corporation and its shareholders;

AND WHEREAS the Executive is a key management executive of the Corporation and is considered by the Corporation and the Board of Directors to be a valued employee of the Corporation who has acquired outstanding and special skills and abilities and an extensive background in and knowledge of the Corporation's business and industry in which it operates;

AND WHEREAS the Corporation recognizes the valuable services that the Executive has provided and is continuing to provide to the Corporation and believes that it is reasonable and fair to the Corporation that the Executive receive fair treatment upon any

termination of the Executive's employment, in the event of a Change in Control (as hereinafter defined) and upon any termination of the Executive's employment during the Change in Control Period (as hereinafter defined);

AND WHEREAS the Executive also acknowledges that the Executive's position has given and will give the Executive access to confidential information of substantial importance to the Corporation, its subsidiaries and their businesses and that the compensation set out in this Agreement is, in part, in consideration for the covenants set out in Section 13;

AND WHEREAS the Corporation and the Executive acknowledge that the compensation and benefits payable hereunder are reasonable having regard to all of the circumstances of the Executive's employment with the Corporation and having regard to executives in similar circumstances in large global companies;

AND WHEREAS the Board (as hereinafter defined) has determined that it would be in the best interests of the Corporation to induce the Executive to continue in the employ of the Corporation by indicating, among other things, that in the event of a Change in Control, the Executive would have certain automatic and guaranteed rights;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the mutual covenants and agreements herein contained and for other good and valuable consideration, the parties agree as follows:

1. Interpretation

In this Agreement, unless the context otherwise requires or unless otherwise indicated, the following terms shall have the following meanings, respectively:

- (a) "Annual Base Salary" shall have the meaning set out in section 4(a) of this Agreement;
- (b) "Board" means the Board of Directors of Celestica Inc.;
- (c) "Cause" means the occurrence of any of the following:
 - (i) wilful and continued failure by the Executive to substantially perform the Executive's duties (other than any such failure resulting from the Executive's incapacity due to physical or mental illness or the Executive becoming Permanently Disabled) after a demand for substantial performance is delivered in writing to the Executive from the Chief Executive Officer of the Corporation or the person performing the functions of the chief executive officer, which specifically identifies the manner in which the Executive has not substantially performed the Executive's duties and specifically identifies the manner in which such failure might be corrected, granting the Executive a period of thirty (30) days in which to effect such correction;

- (ii) wilful engaging by the Executive in gross misconduct which is demonstrably and materially injurious to the Corporation, monetarily or reputationally;
- (iii) the conviction of the Executive of a criminal offence involving dishonesty, fraud or other moral turpitude;
- (iv) the receipt by or on behalf of the Executive or any member of the Executive's immediate family (other than in his or her capacity as a shareholder of the Corporation) of any personal profit arising out of or in connection with a transaction to which the Corporation is a party without making disclosure to and obtaining the prior written consent of the Corporation;
- (v) the failure by the Executive to honor the Executive's fiduciary duties to the Corporation; or,
- (vi) the failure by the Executive to follow the direct written instructions of the Chief Executive Officer, provided that such instructions are not contrary to applicable law or generally accepted moral standards of business conduct,

provided that for purpose of subparagraphs (i) and (ii) of this definition, no act or failure to act by the Executive shall be considered "wilful" unless done or omitted to be done by the Executive in bad faith and without reasonable belief that the Executive's action or omission was in the best interests of the Corporation;

- (d) "Change in Control" means the occurrence of any of the following after the date hereof:
 - (i) the acquisition by any person or entity of beneficial ownership of securities of the Corporation which, directly or following conversion or exercise thereof, would entitle the holder thereof to cast more than 50% of the votes attaching to all securities of the Corporation which may be cast to elect directors of the Corporation, other than the additional acquisition of securities by a person or entity beneficially owning such number of securities on the date hereof;
 - (ii) the consummation of an amalgamation, arrangement, merger or other consolidation of the Corporation with another corporation or a sale of all or substantially all of the assets of the Corporation to another corporation pursuant to which, and such that, all the persons who, immediately prior to such consummation, beneficially owned all of the securities of the Corporation which could be cast to elect directors of the Corporation, immediately thereafter do not beneficially own securities of the successor or continuing corporation or corporation acquiring the assets which would

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entitle such persons, directly or following conversion or exercise thereof, to cast more than 50% of the votes attaching to all securities of such corporation which may be cast to elect directors of that corporation (other than any such amalgamation, arrangement, merger or combination or sale of all or substantially all of the assets which is proposed or initiated, directly or indirectly, by the Executive (other than solely in the Executive's capacity as an executive or member of the Board acting in the best interests of the Corporation) or any corporation controlled by the Executive); or

- (iii) Incumbent Directors ceasing to constitute a majority of the Board as a consequence of the solicitation of proxies through a proxy circular by persons other than management;
- (e) "Change in Control Period" means the Potential Change in Control Period and the three year period after a Change in Control;
- (f) "Corporation" shall have the meaning first set forth above;
- (g) "CSUP" means, as applicable in the circumstances, the Celestica Share Unit Plan made as of December 9, 2004 and as amended from time to time and any other plan providing for equity or equity-based incentives or compensation other than the ESPO Plan or the LTIP;
- (h) "CSUP Rights" shall mean the Executive's entitlements and rights under and determined in accordance with CSUP or failing such provisions, in accordance with the terms in respect of the change in control or termination set out in the Board resolution authorizing the grant of such incentive or compensation, or such other, more favourable terms, that the Board, acting in its discretion, may determine;
- (i) "Date of Grant" shall have the meaning given to such term in the LTIP;
- (j) "Date of Termination" means the date of termination of the employment of the Executive by the Corporation or the date on which the Executive provides notice to the Corporation of the termination of the Executive's employment for Good Reason or Good Reason upon Change in Control and for greater certainty, any such date of termination shall be considered to be the last date on which the Executive is actively at work and shall not be considered to extend to a later date by virtue of any statutory, contractual or common law notice period;
- (k) "Employment Period" shall have the meaning set out in section 11(b) of this Agreement;
- (l) "ESPO Plan" means, as applicable in the circumstances, the Corporation's Employee Share Purchase and Option Plan made as of March 24, 1997, as

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amended and restated on November 8, 2000, and as may be further amended from time to time, or the Corporation's Canadian Employee Share Purchase and Option Plan made as of March 23, 1998, as amended and restated on November 8, 2000, and as may be further amended from time to time;

- (m) "ESPO Option" means an option to purchase shares in the capital of the Corporation granted under an ESPO Plan, which options have all vested as of the date of this Agreement;
- (n) "Executive" shall have the meaning first set forth above;
- (o) "Good Reason" for the voluntary termination by the Executive of the Executive's employment shall mean the occurrence (without the Executive's express written consent) of any one of the following acts by the Corporation, or failure by the Corporation to act, unless, in the case of any act or failure to act described in subsection (i), (v), (vi) or (viii) below, such act or failure to act is corrected prior to the Date of Termination:

- (i) the assignment to the Executive of any duties inconsistent in any material adverse respect with the Executive's position, authority, duties or responsibilities as they exist immediately prior to the time of such assignment, or the diminution or adverse alteration in any material adverse respect of such position, authority, duties or responsibilities, excluding, for this purpose, any lateral transfer of the Executive and excluding an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Corporation promptly after receipt of notice thereof given by Executive;
- (ii) any reduction in the Executive's rate of Annual Base Salary, or any reduction in the Executive's total cash and stock compensation opportunities, including Annual Base Salary and incentives, for any fiscal year to less than 100% of the total cash and stock compensation opportunities made available to the Executive immediately prior to the time of such reduction, except as determined by the Board in good faith and consistent with past practice and current market conditions or failure by the Corporation to provide the Executive with total cash and stock compensation opportunities in accordance with any agreement between the Executive and the Corporation;
- (iii) the relocation of the Executive's principal place of employment to a location more than 100 kilometres outside the City of Toronto except for required travel on the Corporation's business to an extent substantially consistent with the Executive's present business travel obligations;

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- (iv) the failure by the Corporation to pay to the Executive any portion of the Executive's current compensation within seven days of the date such compensation is due;
 - (v) the failure by the Corporation to continue to effect any compensation plan in which the Executive participates immediately prior to the time of such failure which is material to the Executive's total compensation, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Corporation to continue the Executive's participation therein (or in such substitute or alternative plan) on a basis not materially less favourable, both in terms of the amount or timing of payment of benefits provided and the level of the Executive's participation relative to other participants, as existed immediately prior to the time of such failure;
 - (vi) save and except where the Corporation implements a change to the benefits referred to in this paragraph that applies to all of the Corporation's employees in receipt of the benefit, the failure by the Corporation to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Corporation's pension, life insurance, medical, dental, health and accident or disability plans, programs or arrangements in which the Executive is participating immediately prior to the time of such failure or the taking of any other action by the Corporation which would directly or indirectly materially reduce any of such benefits or deprive the Executive of any material fringe benefit enjoyed by the Executive immediately prior to the time of the taking of such action, or the failure by the Corporation to continue to provide the Executive with the number of paid vacation days to which the Executive is entitled on the basis of years of service with the Corporation in accordance with the Corporation's normal vacation policy in effect immediately prior to the time of such failure;
 - (vii) the failure by the Corporation to obtain the assumption of the agreement to perform this Agreement by any successor as contemplated in Section 26 hereof; or,
 - (viii) any other purported termination by the Corporation of the Executive's employment other than for Cause.
- (p) "Good Reason Upon A Change in Control" for the voluntary termination by the Executive of the Executive's employment shall mean:
- (i) the occurrence of any of the acts or failure to act of the Corporation set out in Section 1(m)(i) through (viii) inclusive, unless, in the case of any act or failure to act described in Section 1(m)(i), m(v), m(vi) or m(viii), such act

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- or failure to act is corrected prior to the Date of Termination, where such acts or failure to act occurs during the Change in Control Period; or
- (ii) any breach of this Agreement by the Corporation during the Change in Control Period;
- (q) "Incumbent Director" means any member of the Board who was a member of the Board immediately prior to the occurrence of a transaction, transactions or elections giving rise to a Change in Control (other than a transaction approved by the Board) and any successor to an Incumbent Director who is recommended or elected or appointed to succeed an Incumbent Director by the affirmative vote of a majority of the Incumbent Directors then on the Board;
- (r) "LTIP" means the Corporation's Long-Term Incentive Plan made as of June 28, 1998, as amended and restated as of October 16, 2002, and as may be further amended from time to time;
- (s) "Option" means an option to purchase shares in the capital of the Corporation, and includes options granted under the LTIP and/or any other future plans but does not include options granted under an ESPO Plan;
- (t) "Performance-Contingent Options" means options granted under the LTIP and/or any other future plans, the vesting of which is determined in accordance with the achievement of performance targets established by the Board of Directors at the time of the grant of the options;
- (u) "Performance Units" shall have the meaning given to such term in the LTIP;
- (v) "Permanently Disabled" shall have the meaning set out in section 11(b) of this Agreement;
- (w) "Potential Change in Control" shall be deemed to have occurred if any one of the following occurs:
- (i) the Corporation enters into a binding agreement, the consummation of which would result in the occurrence of a Change in Control;
 - (ii) the Corporation publicly announces an intention to take or to consider taking action which, if consummated, would constitute a Change in Control; or
 - (iii) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred;
- (x) "Potential Change in Control Period" shall commence upon the occurrence of a Potential Change in Control and shall lapse immediately following the first to occur of:

- (i) a Change in Control; or
- (ii) the first anniversary of the occurrence of a Potential Change in Control;
- (y) “Right” means a stock appreciation right and includes stock appreciation rights granted under the LTIP and/or any other future plans;
- (z) “Shares” shall have the meaning given to such term in the LTIP;
- (aa) “Target Bonus” means eighty percent (80%) of the Executive’s Annual Base Salary or such higher percentage of the Executive’s Annual Base Salary as may be approved by the Board from time to time;
- (bb) “Trade Secrets” shall have the meaning set out in section 13(a) of this Agreement; and
- (cc) “Year” shall have the meaning given to such term in the LTIP.

2. Position – Capacity and Services

The Executive shall continue to serve the Corporation and any subsidiaries of the Corporation in such capacity or capacities and shall perform such duties and exercise such powers pertaining to the management and operation of the Corporation and any subsidiaries and associates of the Corporation (as those terms are defined in the Business Corporations Act (Ontario)) as may be determined from time to time by the Chief Executive Officer of the Corporation consistent with the office of the Executive. It is acknowledged and agreed that the duties and responsibilities of the Executive may be adjusted from time to time by the Chief Executive Officer of the Corporation as the Chief Executive Officer of the Corporation may determine to be appropriate in light of growth and other changes in the business and affairs of the Corporation and its subsidiaries and associates (but not in such a manner as would constitute Good Reason or Good Reason upon a Change in Control). Without limitation of the foregoing, the Executive shall occupy the office of Senior Vice President, Chief Legal Officer and Corporate Secretary of the Corporation and shall:

- (a) devote all of the Executive’s business time and attention and the Executive’s best efforts to the business and affairs of the Corporation, provided however, that the Executive may serve as a member of a board of directors of an entity if the Board, or an appropriate committee thereof, determines in its sole discretion that such membership is not averse to the interests of the Corporation;
- (b) perform those duties that may reasonably be assigned to the Executive diligently and faithfully to the best of the Executive’s abilities and in the best interests of the Corporation; and
- (c) use the Executive’s best efforts to promote the interests and goodwill of the Corporation.

3. Reporting Procedures

The Executive shall report to the Chief Executive Officer of the Corporation. The Executive shall report fully to the Chief Executive Officer of the Corporation on the Executive’s scope of responsibility and advise to the best of the Executive’s ability and in accordance with reasonable business standards on business matters that may arise within such scope of responsibility from time to time.

4. Remuneration

(a) **Annual Base Salary.** The annual base salary (the “Annual Base Salary”) payable to the Executive for the Executive’s services hereunder for the term of this Agreement shall be as determined by the Board from time to time, and shall be exclusive of bonuses, benefits and other compensation. The Annual Base Salary shall be payable in equal bi-monthly instalments in arrears in accordance with existing practice, or in such other manner as may be mutually agreed upon, less, in any case, any deductions or withholdings required by law.

(b) **Additional Remuneration and Benefits.** The Corporation shall provide the Executive with employee benefits comparable to those provided by the Corporation from time to time to other senior executive officers of the Corporation and shall permit the Executive to participate in any bonus plan, incentive plan, share option plan, share purchase plan, retirement plan, or similar plan offered by the Corporation from time to time to its senior executive officers in the manner and to the extent authorized by the Board.

5. Salary and Bonus Adjustments

The Chief Executive Officer of the Corporation shall review the compensation arrangements relating to the Executive at least once per calendar year, including the Annual Base Salary, any executive bonus and any incentive plan(s) applicable to the Executive. If the Chief Executive Officer of the Corporation shall determine that it is advisable to do so, the Chief Executive Officer of the Corporation may recommend to the Board that such compensation arrangements be reviewed and/or adjusted.

6. Vacation

The Executive shall be entitled to paid vacation in each fiscal year of the Corporation in accordance with the Corporation’s vacation policy for employees of the Corporation (including the Executive) that is currently in effect, as it may change from time to time. The Executive’s paid vacation is to be taken at a time approved in advance by the Chief Executive Officer of the Corporation, which approval shall not be unreasonably withheld but shall take into account the staffing requirements of the Corporation and the need for the timely performance of the Executive’s responsibilities. In the event that the Executive decides not to take all the vacation to which the Executive is entitled in any fiscal year, the Executive’s entitlement to take any such vacation in the next following fiscal year shall be determined in accordance with the Corporation’s vacation policy for employees of the Corporation (including the Executive) in effect from time to time.

7. Expenses

The Executive shall be reimbursed for all reasonable travel and out-of-pocket expenses actually and properly incurred by the Executive from time to time in connection with carrying out the Executive's duties hereunder. For all such expenses the Executive shall furnish to the Corporation originals of all invoices, receipts or statements in respect of which the Executive seeks reimbursement as and when required by the Corporation's normal procedures for the submission of expense reports by employees of the Corporation.

8. Relocation

The location at which the Executive shall normally be required to attend for the purposes of performing his employment duties shall not, without the prior consent of the Executive, be located more than 100 kilometres outside the City of Toronto, except that this provision shall not be taken to limit the obligation of the Executive to undertake such reasonable business travel from time to time as is concomitant with the duties and office of the Executive.

9. Continuation of Employment upon a Change in Control

Upon a Change in Control, the Corporation agrees to continue the Executive in its employ, in accordance with the terms and provisions of this Agreement, on the same terms and conditions which were in effect immediately prior to the Change in Control or on such other terms as may be subsequently agreed upon in writing between the Corporation and the Executive.

10. Vesting of Options, Stock Appreciation Rights, Performance-Contingent Options, Performance Units and CSUP Rights

(a) **Options and Stock Appreciation Rights.** Upon a Change in Control or upon termination of the Executive's employment without cause during the Change in Control Period or voluntary termination by the Executive of the Executive's employment for Good Reason during the Change in Control Period, all unvested and unexercised Options and Rights granted to the Executive shall vest immediately and shall become exercisable in accordance with the terms of each such Option or Right or the plan governing each such Option or Right.

(b) **Performance-Contingent Options.** Upon a Change in Control or upon termination of the Executive's employment without cause during the Change in Control Period or voluntary termination by the Executive of the Executive's employment for Good Reason during the Change in Control Period, all unvested and unexercised Performance-Contingent Options granted to the Executive shall become eligible for vesting and shall vest immediately, the extent of such vesting to occur in accordance with the terms governing vesting on change of control set out in the Board resolution authorizing the grant of such Performance Contingent Options or such other, more favourable, terms as the Board, acting in its discretion, may determine, and shall become exercisable in accordance with the terms of each such Performance-Contingent Option or the plan governing each such Performance-Contingent Options.

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(c) **Performance Units.** Upon a Change in Control or upon termination of the Executive's employment without cause during the Change in Control Period or voluntary termination by the Executive of the Executive's employment for Good Reason during the Change in Control Period, all Performance Units allocated to the Executive under the LTIP shall be issued or provided in the form of Shares to the Executive.

(d) **CSUP Rights.** Upon a Change in Control or upon termination of the Executive's employment without cause during the Change in Control Period or voluntary termination by the Executive of the Executive's employment for Good Reason during the Change in Control Period, the change of control provisions of the CSUP shall be deemed to be triggered and the Executive shall be entitled to the Executive's CSUP Rights in respect thereto.

11. Termination

(a) **Termination for Cause.** The Corporation may terminate the employment of the Executive for Cause without notice or any payment in lieu of notice.

(b) **Termination on Disability or Death.** The Executive's employment hereunder may be immediately terminated by the Corporation by notice to the Executive if the Executive becomes permanently disabled ("Permanently Disabled"). The Executive shall be deemed to have become Permanently Disabled if in any year during the period of the Executive's employment with the Corporation pursuant hereto (the "Employment Period"), because of ill health, physical or mental disability, or for other causes beyond the control of the Executive, the Executive has been continuously unable or unwilling or has failed to perform the Executive's duties for 120 consecutive days, or if, during any year of the Employment Period, the Executive has been unable or unwilling or has failed to perform the Executive's duties for a total of 180 days, consecutive or not. The term "any year of the Employment Period" means any period of 12 consecutive months during the Employment Period. This Agreement shall terminate automatically without notice upon the death of the Executive.

(c) **Resignation by the Executive.** The Executive may resign the Executive's employment with the Corporation at any time upon giving sixty (60) days' written notice to the Corporation. The Corporation may waive such notice in whole or in part. If the Executive resigns the Executive's employment, the Corporation shall have no further obligations or responsibilities hereunder to the Executive.

12. Severance Payments and Entitlements

(a) **Termination for Cause.** Upon termination of the Executive's employment for Cause as described in Section 11(a), the Executive shall not be entitled to any payments other than the unpaid Annual Base Salary earned by the Executive before the Date of Termination calculated *pro rata* up to and including the Date of Termination together with any payment for notice or severance to which the Executive is entitled under the applicable employment legislation in force from time to time. The Executive's Options, Performance Contingent Options, Performance Units and Rights granted under the LTIP and any CSUP Rights terminate effective the Date of Termination and may not be exercised thereafter.

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(b) **Termination on Disability or Death.** Upon termination of the Executive's employment by reason of the Executive becoming Permanently Disabled or on the death of the Executive as described in section 11(b), except as otherwise provided under the ESPO Plan, the LTIP, the CSUP or under the Corporation's applicable incentive plans, life insurance, pension plan, medical, dental, health and accident and disability plans and pension and retiree benefit plans, the Executive or, in the case of death, the Executive's family, shall not be entitled to receive any payments other than the unpaid Annual Base Salary earned by the Executive to the date of the Executive becoming Permanently Disabled or the date of the Executive's death and, in the event of the Executive's death, that portion, if any, of the Executive's annual bonus that would be paid out in accordance with the Corporation's policy with respect to same in effect at the date of the Executive's death. Notwithstanding the foregoing, nothing in this provision shall affect the Executive's right to claim or receive death or disability benefits provided for in section 4(b) of this Agreement.

(c) **Termination without Cause or for Good Reason.** Upon (i) termination of the Executive's employment without Cause, or (ii) voluntary termination by the Executive of the Executive's employment for Good Reason:

- (i) the Executive shall be entitled to receive, and the Corporation shall pay to the Executive, in lieu of two years' notice of termination, the aggregate of the following amounts (less any deductions required by law):
- (A) if not theretofore paid, that portion of the Annual Base Salary earned by or payable to the Executive during the then current fiscal year of the Corporation for the period to and including the Date of Termination, together with all benefits payable to the Executive through to and including the Date of Termination under the terms of the Corporation's benefit plans, programs or arrangements as in effect immediately prior to the Date of Termination;
 - (B) a pro rated portion of the Executive's Target Bonus calculated by multiplying (1) the Target Bonus by (2) a fraction, the numerator of which is the number of days in the applicable fiscal year through to and including the Date of Termination and the denominator of which is 365; and
 - (C) a lump sum payment in cash equal to two times the sum of (1) the Annual Base Salary at the Date of Termination, and (2) the Executive's Target Bonus;
- (ii) (A) the Corporation shall maintain in full force and effect, for the continued benefit of the Executive and the Executive's family, until two years after the Date of Termination, all life insurance, medical, dental, health and accident and disability plans, programs or arrangements in which the Executive was entitled to participate immediately prior to the Date of Termination (or in the case of

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voluntary termination by the Executive for Good Reason upon or following a Change in Control as a result of a reduction in benefits, if more favourable to the Executive, such coverage and terms as were in effect immediately prior to the Change in Control) at a cost to the Executive no greater than that which the Executive paid while employed, provided that the Executive's continued participation is possible under the general terms and provisions of such plans and programs. In the event that the Executive's participation is barred, the Corporation shall arrange to provide the Executive, at the Corporation's expense, with benefits substantially similar to those which the Executive is entitled to receive under such plans, programs or arrangements; or

- (B) at the Executive's request, the Corporation will make a cash payment in an amount equal to the then estimated net present value (as determined by the Board, acting reasonably, assuming that the Executive would be employed by the Corporation for the ensuing two years and using as a discount rate the Corporation's cost of funds under its principal bank working capital credit lines) of such benefits for the two-year period following the Date of Termination;
- (iii) those Options, Performance-Contingent Options and Rights granted to the Executive that would have otherwise vested and become exercisable during the twelve-week period following the Date of Termination shall vest and become exercisable during such twelve-week period in accordance with their terms and, together with any Options, Performance-Contingent Options and Rights that vested prior to the Date of Termination, shall terminate and may not be exercised after the earlier of thirty (30) days after the expiry of such twelve week period and the original expiry date of such Option, Performance-Contingent Option or Right;
- (iv) all unexercised ESPO Options granted to the Executive shall be exercisable until the earlier of a twelve week and thirty day period after the Date of Termination and the ESPO Option's original date of expiry;
- (v) those Performance Units allocated to the Executive under the LTIP which are not already issued or provided in the form of Shares to the Executive shall be issued or provided in the form of Shares to the Executive on the following basis:

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| If Date of Termination occurs in: | % of related Performance Units to be issued or provided in the form of Shares: |
|--|--|
| 1 st Year following Date of Grant | 33—1/3% |
| 2 nd Year following Date of Grant | 66—2/3% |
| 3 rd Year following Date of Grant | 100% |

- (vi) the Executive shall have the Executive's CSUP Rights in such event; and;
- (vii) for greater certainty and notwithstanding anything to the contrary contained in the Celestica Retirement Plan (the "Plan") and the Celestica Supplementary Retirement Plan (the "SERP"), in respect of the two year notice period following the Date of Termination, the Corporation shall contribute to the Executive's Retirement Account (as defined under the Plan) and credit notional contributions to the Executive's Uncapped Retirement Account (as defined under the SERP) and investment earnings will continue to be earned (or notionally earned in the case of the Uncapped Retirement Account), in accordance with the terms of the Plan and the SERP, respectively, based on the Compensation (as defined under the Plan) that the Executive would otherwise have received from the Corporation had the Executive's employment not been terminated. At the end of the two year notice period, the Executive will receive his or her Retirement Account and Uncapped Retirement Account balances in accordance with the terms of the Plan and the SERP, respectively.

(d) **Termination During the Change in Control Period or for Good Reason During the Change in Control Period.** Upon (i) termination of the Executive's employment by the Corporation during the Change in Control Period other than for Cause, or (ii) voluntary termination by the Executive of the Executive's employment for Good Reason upon a Change in Control:

- (i) in lieu of notice, the Corporation shall pay to the Executive the aggregate of the following amounts (less any deductions required by law):
- (A) if not theretofore paid, that portion of the Annual Base Salary earned by or payable to the Executive during the then current fiscal year of the Corporation for the period to and including the Date of Termination, together with all benefits payable to the Executive through to and including the Date of Termination under the terms of the Corporation's benefit plans, programs or arrangements as in effect immediately prior to the Date of Termination;
 - (B) a pro rated portion of the Executive's Target Bonus calculated by multiplying (1) the Target Bonus by (2) a fraction, the numerator of which is the number of days in the applicable fiscal year through

to and including the Date of Termination and the denominator of which is 365; and

- (C) a lump sum payment in cash equal to three times the sum of (x) the Annual Base Salary at the Date of Termination, and (y) the Executive's Target Bonus;
- (ii) (A) the Corporation shall maintain in full force and effect, for the continued benefit of the Executive and the Executive's family, until three years after the Date of Termination, all life insurance, medical, dental, health and accident and disability plans, programs or arrangements in which the Executive was entitled to participate immediately prior to the Date of Termination (or in the case of voluntary termination by the Executive for Good Reason upon or following a Change in Control as a result of a reduction in benefits, if more favourable to the Executive, such coverage and terms as were in effect immediately prior to the Change in Control) at a cost to the Executive no greater than that which the Executive paid while employed, provided that the Executive's continued participation is possible under the general terms and provisions of such plans and programs. In the event that the Executive's participation is barred, the Corporation shall arrange to provide the Executive, at the Corporation's expense, with benefits substantially similar to those which the Executive is entitled to receive under such plans, programs or arrangements; or
- (B) at the Executive's request, the Corporation will make a cash payment in an amount equal to the then estimated net present value (as determined by the Board, acting reasonably, assuming that the Executive would be employed by the Corporation for the ensuing three years and using as a discount rate the Corporation's cost of funds under its principal bank working capital credit lines) of such benefits for the three-year period following the Date of Termination;
- (iii) all Options and Rights vest pursuant to section 10(a) hereof and shall be exercisable for the remainder of the term to expiry of each such Option or Right;
- (iv) all unexercised ESPO Options granted to the Executive shall be exercisable until the earlier of a three year and thirty day period following the date of Termination and the ESPO Option's original date of expiry;
- (v) all Performance-Contingent Options vest pursuant to section 10(b) hereof and shall be exercisable for the remainder of the term to expiry of each such Performance-Contingent Option;

- (vi) the Executive shall have the Executive's CSUP Rights in such event; and,
- (vii) for greater certainty and notwithstanding anything to the contrary contained in the Plan and the SERP, in respect of the three year notice period following the Date of Termination, the Corporation shall contribute to the Executive's Retirement Account (as defined under the Plan) and credit notional contributions to the Executive's Uncapped Retirement Account (as defined under the SERP) and investment earnings will continue to be earned (or notionally earned in the case of the Uncapped Retirement Account), in accordance with the terms of the Plan and the SERP, respectively, based on the Compensation (as defined under the Plan) that the Executive would otherwise have received from the Corporation had the Executive's employment not been terminated. At the end of the three year notice period, the Executive will receive his or her Retirement Account and Uncapped Retirement Account in accordance with the terms of the Plan and the SERP, respectively.

(e) **Notice of Termination by the Executive for Good Reason or Good Reason upon a Change in Control.** Any termination of employment by the Executive for Good Reason or for Good Reason upon a Change in Control shall: be communicated in writing by the Executive; indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail any facts and circumstances claimed to provide a basis for the termination of the Executive's employment under the provision so indicated; and, be delivered within sixty (60) days of the act or failure to act giving rise to the Good Reason or Good Reason upon a Change in Control. The Executive shall not be required to report to work or perform services for the Corporation subsequent to the Corporation's receipt of the Executive's notice of termination.

(f) **Executive Entitlement When Dispute.** All amounts payable, benefits due or owed or amounts payable in lieu of benefits under Section 12 shall, unless otherwise specifically provided, be paid by the Corporation to the Executive within thirty days of the Date of Termination, notwithstanding that the Corporation may dispute the Executive's entitlement to such amounts. The Executive is entitled to receive all amounts owing under Section 12, and the Corporation shall not initiate any injunctive proceedings in a court of competent jurisdiction or any arbitration proceeding pursuant to Section 18 to prevent the Executive from enforcing his right to receive such amounts, and should the Corporation initiate any proceeding disputing the Executive's entitlement to such amounts, the Corporation agrees to continue to provide such amounts to the Executive in accordance with the terms of this Agreement, pending final resolution of the dispute by an arbitrator pursuant to Section 18 (it being acknowledged and agreed by the parties that a court of competent jurisdiction can issue only an interim injunction on the question of the Executive's entitlements under Section 12).

13. Confidentiality, Non-Solicitation and Non-Competition

- (a) The Executive acknowledges and agrees that:

- (i) in the course of performing the Executive's duties and responsibilities as an officer of the Corporation, the Executive has had and will be entrusted with detailed confidential information and trade secrets (printed or otherwise) concerning past, present, future, and contemplated products, services, operations and marketing techniques and procedures of the Corporation and its subsidiaries, including, without limitation, business plans, inventions, pending and undisclosed patents and patent applications, proprietary business methods and proprietary manufacturing operations, proprietary product and proprietary manufacturing information, know how, and information relating to addresses, preferences, needs and requirements of past, present and prospective clients, customers, suppliers and employees of the Corporation and its subsidiaries (collectively, "Trade Secrets"), the disclosure of any of which to competitors of the Corporation or to the general public, or the use of same by the Executive or any competitor of the Corporation or any of its subsidiaries, would be highly detrimental to the interests of the Corporation;
- (ii) in the course of performing the Executive's duties and responsibilities for the Corporation, the Executive has been and will continue in the future to be a representative of the Corporation to its customers, clients and suppliers and as such has had and will continue in the future to have significant responsibility for maintaining and enhancing the goodwill of the Corporation with such customers, clients and suppliers and would not have, except

by virtue of the Executive's employment with the Corporation, developed a close and direct relationship with the customers, clients and suppliers of the Corporation;

- (iii) the Executive's services are extraordinary and unique;
 - (iv) the Corporation has a proprietary interest in its customers and clients;
 - (v) the Executive, as an officer of the Corporation, owes fiduciary duties to the Corporation, including the duty to act in the best interests of the Corporation; and,
 - (vi) the right to maintain the confidentiality of the Trade Secrets, the right to preserve the goodwill of the Corporation and the right to the benefit of any relationships that have developed between the Executive and the customers, clients and suppliers of the Corporation by virtue of the Executive's employment with the Corporation constitute proprietary rights of the Corporation, that the Corporation is entitled to protect.
- (b) In acknowledgment of the matters set out in (a) above, and in consideration of the payments to be received by the Executive pursuant to this Agreement, the Executive hereby agrees that the Executive will not, during the term of the Executive's employment with the Corporation and for two years from either the

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Date of Termination or the Executive's resignation of the Executive's employment:

- (i) directly or indirectly disclose to any person or in any way make use of (other than for the benefit of the Corporation), in any manner, any of the Trade Secrets, provided that such Trade Secrets shall be deemed not to include information that is or becomes generally available to the public other than as a result of disclosure by the Executive;
 - (ii) be a party to or abet any solicitation of customers, clients, or suppliers of the Corporation or any of its subsidiaries or associates, to transfer business from the Corporation or any of its subsidiaries or associates to any other person, or seek in any way to persuade or entice any employee of the Corporation or any of its subsidiaries or associates to leave that employment or to be a party to or abet any such action;
 - (iii) either individually or in partnership or jointly or in conjunction with any person or persons, firm, association, syndicate, company or corporation, as principal, agent, shareholder (unless passive investor) or in any other manner whatsoever, be involved with any business that is in competition with the business of the Corporation which business means the electronics manufacturing services business (the "Business of the Corporation"). During the same time period, the Executive will not carry on or be engaged in or concerned with or interested in, or advise, lend money to, guarantee the debts or obligations of, or permit the Executive's name or any part thereof to be used or employed by or associated with, any person or persons, firm, association, syndicate, company or corporation in any business that is involved in any similar business in which the Corporation is involved during the course of the Executive's employment
- (c) If any court determines that any provision contained in Section 13 including, without limitation, a restrictive covenant or any part thereof is unenforceable because of the duration or geographical scope of the provision or for any other reason, the duration or scope of the provision, as the case may be, shall be reduced so that the provision becomes enforceable and, in its reduced form, the provision shall then be enforceable and shall be enforced;
- (d) The Executive acknowledges that the Executive's employment by the Corporation and all compensation and benefits and potential compensation and benefits to the Executive from such employment were and will be conferred by the Corporation upon the Executive in part because and on condition of the Executive's willingness to commit the Executive's best efforts and loyalty to the Corporation, including protecting the Corporation's right to have its Trade Secrets protected from non-disclosure by the Executive and abiding by the confidentiality, non-competition and other provisions herein. The Executive understands the Executive's duties and obligations as set forth in Section 13 and agrees that such

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duties and obligations would not unduly restrict or curtail the Executive's legitimate efforts to earn a livelihood following any termination of the Executive's employment with the Corporation. The Executive agrees that the restrictions contained in Section 13 are reasonable and valid and all defences to the strict enforcement thereof by the Corporation are waived by the Executive. The Executive further acknowledges that irreparable damage would result to the Corporation if the provisions of Sections 13(b)(i) to (iii) are not specifically enforced, and agrees that the Corporation shall be entitled to any appropriate legal, equitable, or other remedy, including injunctive relief, in respect of any failure or continuing failure to comply with the provisions of Sections 13(b)(i) to (iii);

- (e) The preceding covenants do not prohibit investment, up to a maximum of five percent (5%) of the outstanding shares, in a corporation whose shares are listed on a recognized stock exchange and which carries on a business similar to the Business of the Corporation.

14. Return of Materials

All files, forms, brochures, books, materials, written correspondence, memoranda, documents, manuals, computer disks, software products and lists (including lists of customers, suppliers, products and prices) pertaining to the business of the Corporation or any of its subsidiaries and associates that may come into the possession or control of the Executive shall at all times remain the property of the Corporation or such subsidiary or associate, as the case may be. On termination of the Executive's employment for any reason, the Executive agrees to deliver promptly to the Corporation all such property in the possession of the Executive or directly or indirectly under the control of the Executive. The Executive agrees not to make for the Executive's personal or business use or that of any other party, reproductions or copies of any such property or other property of the Corporation or any of its subsidiaries or associates.

15. Duty to Mitigate

The Executive shall not be subject to any duty or obligation to seek alternate employment or other sources of income or benefits, or to mitigate the Executive's damages, or to any similar duty or obligation and any compensation earned by the Executive after the Date of Termination shall not be deducted from any payments to be made to the Executive pursuant to this Agreement following or as a result of: (a) voluntary termination by the Executive of the Executive's employment for Good Reason or Good Reason during the Change in Control Period; or, (b) termination of the employment of the Executive by the Corporation other than for Cause.

16. Further Assurances

Each of the Corporation and the Executive agrees to execute and deliver all such documents and to do all such acts and things as the other party may reasonably request and as may be lawful and within its powers to do or to cause to be done in order to carry out and/or implement the provisions or intent of this Agreement,

such governmental, regulatory and other third party approvals as may be necessary or desirable. Without limiting the generality of the foregoing, the Corporation agrees to execute and deliver all such documents and to do all such acts and things as the Executive may reasonably request and as may be lawful and within the power of the Corporation to do or cause to be done in order to minimize any tax consequences to the Executive or his estate or his legal personal representatives in respect of the payment or performance by the Corporation of the obligations of the Corporation upon or in respect of payments or actions required to be made or taken by or on behalf of the Corporation in the event of termination of the Executive's employment hereunder; provided that the Corporation shall in no way be prejudiced thereby.

17. Governing Law

The Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

18. Arbitration Clause

(a) With the exception of Article 13, where there is any dispute as to any provision of this Agreement and the Executive and the Corporation are unable to come to a mutual agreement within a period of 10 days from the date on which one party advises the other party, in writing, of the dispute, within 10 days after the expiry of such period, either party may give written notice of the issue on which a mutual decision has not been made to an arbitrator selected from (c) below, with a copy of the notice to the other party.

Upon receipt of such notice, the arbitrator will contact each of the parties and attempt to resolve the matter within 5 days of receipt of the notice, failing which the arbitrator shall schedule a hearing to commence within 90 days thereafter, that hearing to conclude and the decision to be rendered within 120 days (or such later time as agreed upon between the parties) thereafter.

It is understood and agreed the arbitrator shall have the sole discretion to establish a procedure for the conduct of the arbitration, provided only that such procedure shall give to each party an opportunity to state and argue their respective positions, either in writing or orally in the presence of the arbitrator and each other party and whether with or without reply or rejoinder. The decision of the arbitrator shall be final and binding.

Any arbitration pursuant to this clause shall be in accordance with the *Arbitrations Act* (Ontario).

(b) It is understood that the Executive and the Corporation would prefer to avoid litigation due to a possible breach of Article 13, upon the acceptance of a new position by the Executive. As a result, the parties agree that where the Executive is considering a new position, particularly following termination of employment, the Executive may seek the prior agreement of the Corporation that such new position is not with a competitor of the Corporation. Where there is a disagreement as to whether this new position is with a competitor of the Corporation (and the Executive has not accepted any offer and commenced employment in respect thereof),

the parties agree to have this issue finally determined on an expedited basis by an agreed upon arbitrator as set out in (c) below. The process and authority of the arbitrator shall be as described above, except that in this case only the hearing must be concluded and the decision rendered within 30 days of the arbitrator receiving notice of the dispute.

(c) For the purpose of this Agreement, the parties agree that any one of the following can be selected as the arbitrator: Mr. Justice George Adams, William Kaplan, Maureen K. Saltman or Daniel J. Baum, or any other arbitrator the parties mutually agree upon should none of these arbitrators be available within the timelines set out herein.

19. Severability

With the exception of Section 13, if any provision of the Agreement, including the breadth or scope of such provision, shall be held by an arbitrator pursuant to Section 18 to be invalid or unenforceable, in whole or in part, such invalidity or unenforceability shall not affect the validity or enforceability of the remaining provisions, or part thereof, of this Agreement and such remaining provisions, or part thereof, shall remain enforceable and binding.

20. Representations and Warranties

The Executive represents and warrants to the Corporation that the execution and performance of this Agreement will not result in or constitute a default, breach, or violation, or an event that, with notice or lapse of time or both, would be a default, breach, or violation, of any understanding, agreement or commitment, written or oral, express or implied, to which the Executive is a party or by which the Executive or the Executive's property is bound. The Executive shall defend, indemnify and hold the Corporation harmless from any liability, expense or claim (including solicitor's fees incurred in respect thereof) by any person in any way arising out of, relating to, or in connection with any incorrectness or breach of the representations and warranties in this Section 20.

21. Rights and Waivers

All rights and remedies of the parties are separate and cumulative, and none of them, whether exercised or not, shall be deemed to be to the exclusion of any other rights or remedies or shall be deemed to limit or prejudice any other legal or equitable rights or remedies which either of the parties may have.

22. Waiver

Any purported waiver of any default, breach or non-compliance under this Agreement is not effective unless in writing and signed by the party to be bound by the waiver. No waiver shall be inferred from or implied by any failure to act or delay in acting by a party in respect of any default, breach or non-observance or by anything done or omitted to be done by the other party. The waiver by a party of any default, breach or non-compliance under this Agreement shall not operate as a waiver of that party's rights under this Agreement in respect of

any continuing or subsequent default, breach or non-observance (whether of the same or any other nature).

23. Time of Essence

Time shall be of the essence of this Agreement in all respects.

24. Headings

The division of this Agreement into Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

25. Full Satisfaction

The terms set out in this Agreement, provided that such terms are satisfied by the Corporation, are in lieu of (and not in addition to) and in full satisfaction of any and all other claims or entitlements which the Executive has or may have upon the termination of the Executive's employment and the compliance by the Corporation with these terms will effect a full and complete release of the Corporation and its parent and their respective affiliates, associates, subsidiaries and related companies from any and all claims which the Executive may have for whatever reason or cause in connection with the Executive's employment and the termination of it, other than those obligations specifically set out in this Agreement. In agreeing to the terms set out in this Agreement, the Executive specifically agrees to execute a formal release document to that effect and will deliver upon request appropriate resignations from all offices and positions with the Corporation and its parent and their respective affiliated, associated subsidiary or affiliated companies if, as and when requested by the Corporation upon termination of the Executive's employment within the circumstances contemplated by this Agreement.

26. Successors; Binding Agreement

The Corporation will require any successor (whether direct or indirect, by purchase, amalgamation, arrangement, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Corporation to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform it if no such succession had taken place. Failure of the Corporation to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Corporation in the same amount and on the same terms as the Executive would be entitled hereunder if the Executive were terminated in circumstances giving rise to the payment of benefits pursuant to Section 12 hereof except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. The foregoing shall not in any way limit the rights of the Executive hereunder if such succession constitutes a Change in Control. As used in this Agreement, "Corporation" shall mean the Corporation as hereinbefore defined and any successor to its business and/or assets as aforesaid which executes and delivers the agreement

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provided for in this paragraph or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

27. No Assignment

The Executive may not assign, pledge or encumber the Executive's interest in this Agreement nor assign any of the rights or duties of the Executive under this Agreement without the prior written consent of the Corporation.

28. Statutory Deductions and Withholdings

All payments provided to the Executive pursuant to this Agreement are subject to necessary statutory deductions and withholdings.

29. Successors

This Agreement shall be binding on and enure to the benefit of the successors and assigns of the Corporation and the heirs, executors, personal legal representatives and permitted assigns of the Executive.

30. Entire Agreement

This Agreement contains the entire understanding of the Executive and the Corporation with respect to employment of the Executive and supersedes any and all prior understandings, written or oral. This Agreement may not be amended, waived, discharged or terminated orally but only by an instrument in writing executed by both parties.

31. Notices

Any notice or other communication required or permitted to be given hereunder shall be in writing and either delivered by hand or sent by facsimile. If delivery by hand or by facsimile, notice shall be deemed to have been received at the time it is delivered or received. Notices shall be addressed as follows:

(a) If to the Corporation:

Celestica Inc.
12 Concorde Place
Toronto, ON
M3C 3R8

Attention: Chief Executive Officer
Fax No.: (416) 448-4758

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(b) If to the Executive:

Elizabeth L. DelBianco
535 Castlefield Avenue
Toronto, ON M5N 1L7

Fax No.: 416-482-5266

32. Legal Advice

The Executive hereby represents and warrants to the Corporation and acknowledges and agrees that the Executive had the opportunity to seek and was not prevented nor discouraged by the Corporation from seeking independent legal advice prior to the execution and delivery of this Agreement and that, in the event that the Executive did not avail himself or herself of that opportunity prior to signing this Agreement, the Executive did so voluntarily without any undue pressure and agrees that the Executive's failure to obtain independent legal advice shall not be used by the Executive as a defence to the enforcement of the Executive's obligations under this Agreement. The Corporation agrees to reimburse the Executive for the reasonable legal fees incurred by the Executive in obtaining such legal advice.

IN WITNESS WHEREOF the parties hereto have executed this Agreement effective as of the date first above written.

CELESTICA INC.

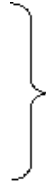
by /s/ Craig Muhlhauser
Name: Craig Muhlhauser
Title: Chief Executive Officer

CELESTICA INTERNATIONAL INC.

by /s/ Craig Muhlhauser
Name: Craig Muhlhauser
Title: Chief Executive Officer

SIGNED, SEALED & DELIVERED
in the presence of:

/s/ Todd Melendy
Witness: Todd Melendy



/s/ Elizabeth L. DelBianco
Elizabeth L. DelBianco

EXECUTIVE EMPLOYMENT AGREEMENT

MEMORANDUM OF AGREEMENT amended and restated as of the 26 day of July, 2006.

BETWEEN

CELESTICA INC., a corporation incorporated under the laws of the Province of Ontario (hereinafter called the "Corporation"),

OF THE FIRST PART,

- and -

CELESTICA INTERNATIONAL INC., a corporation incorporated under the laws of the Province of Ontario, (hereinafter included as the Corporation),

OF THE SECOND PART,

- and -

ANTHONY P. PUPPI, of Woodbridge, Ontario (hereinafter called the "Executive"),

OF THE THIRD PART.

WHEREAS the Executive is Chief Financial Officer of the Corporation, and the Corporation wishes to continue to retain the services of the Executive to provide the services hereinafter described and the Executive wishes to continue to provide the Executive's services to the Corporation as hereinafter set forth;

AND WHEREAS the Corporation considers the establishment and maintenance of a sound and vital management to be essential to protecting and enhancing the best interests of the Corporation and its shareholders;

AND WHEREAS the Executive is a key management executive of the Corporation and is considered by the Corporation and the Board of Directors to be a valued employee of the Corporation who has acquired outstanding and special skills and abilities and an extensive background in and knowledge of the Corporation's business and industry in which it operates;

AND WHEREAS the Executive and the Corporation have previously entered into an Employment Agreement dated as of October 22, 1996;

AND WHEREAS it is now deemed advisable by the parties to cancel, terminate and replace in its entirety such Employment Agreement as provided for herein;

AND WHEREAS the Corporation recognizes the valuable services that the Executive has provided and is continuing to provide to the Corporation and believes that it is reasonable and fair to the Corporation that the Executive receive fair treatment upon any termination of the Executive's employment, in the event of a Change in Control (as hereinafter defined) and upon any termination of the Executive's employment during the Change in Control Period (as hereinafter defined);

AND WHEREAS the Executive also acknowledges that the Executive's position has given and will give the Executive access to confidential information of substantial importance to the Corporation, its subsidiaries and their businesses and that the compensation set out in this Agreement is, in part, in consideration for the covenants set out in Section 13;

AND WHEREAS the Corporation and the Executive acknowledge that the compensation and benefits payable hereunder are reasonable having regard to all of the circumstances of the Executive's employment with the Corporation and having regard to executives in similar circumstances in large global companies;

AND WHEREAS the Board (as hereinafter defined) has determined that it would be in the best interests of the Corporation to induce the Executive to continue in the employ of the Corporation by indicating, among other things, that in the event of a Change in Control, the Executive would have certain automatic and guaranteed rights;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the mutual covenants and agreements herein contained and for other good and valuable consideration, the parties agree as follows:

1. Interpretation

In this Agreement, unless the context otherwise requires or unless otherwise indicated, the following terms shall have the following meanings, respectively:

- (a) "Annual Base Salary" shall have the meaning set out in section 4(a) of this Agreement;
- (b) "Board" means the Board of Directors of Celestica Inc.;
- (c) "Cause" means the occurrence of any of the following:
 - (i) wilful and continued failure by the Executive to substantially perform the Executive's duties (other than any such failure resulting from the Executive's incapacity due to physical or mental illness or the Executive becoming Permanently Disabled) after a demand for substantial performance is delivered in writing to the Executive from the Chief Executive Officer of the Corporation or the person performing the

functions of the chief executive officer, which specifically identifies the manner in which the Executive has not substantially performed the Executive's duties and specifically identifies the manner in which such failure might be corrected, granting the Executive a period of thirty (30) days in which to effect such correction;

- (ii) wilful engaging by the Executive in gross misconduct which is demonstrably and materially injurious to the Corporation, monetarily or reputationally;
- (iii) the conviction of the Executive of a criminal offence involving dishonesty, fraud or other moral turpitude;
- (iv) the receipt by or on behalf of the Executive or any member of the Executive's immediate family (other than in his or her capacity as a shareholder of the Corporation) of any personal profit arising out of or in connection with a transaction to which the Corporation is a party without making disclosure to and obtaining the prior written consent of the Corporation;
- (v) the failure by the Executive to honor the Executive's fiduciary duties to the Corporation; or,
- (vi) the failure by the Executive to follow the direct written instructions of the Chief Executive Officer, provided that such instructions are not contrary to applicable law or generally accepted moral standards of business conduct,

provided that for purpose of subparagraphs (i) and (ii) of this definition, no act or failure to act by the Executive shall be considered "wilful" unless done or omitted to be done by the Executive in bad faith and without reasonable belief that the Executive's action or omission was in the best interests of the Corporation;

- (d) "Change in Control" means the occurrence of any of the following after the date hereof:
 - (i) the acquisition by any person or entity of beneficial ownership of securities of the Corporation which, directly or following conversion or exercise thereof, would entitle the holder thereof to cast more than 50% of the votes attaching to all securities of the Corporation which may be cast to elect directors of the Corporation, other than the additional acquisition of securities by a person or entity beneficially owning such number of securities on the date hereof; or
 - (ii) the consummation of an amalgamation, arrangement, merger or other consolidation of the Corporation with another corporation or a sale of all

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or substantially all of the assets of the Corporation to another corporation pursuant to which, and such that, all the persons who, immediately prior to such consummation, beneficially owned all of the securities of the Corporation which could be cast to elect directors of the Corporation, immediately thereafter do not beneficially own securities of the successor or continuing corporation or corporation acquiring the assets which would entitle such persons, directly or following conversion or exercise thereof, to cast more than 50% of the votes attaching to all securities of such corporation which may be cast to elect directors of that corporation (other than any such amalgamation, arrangement, merger or combination or sale of all or substantially all of the assets which is proposed or initiated, directly or indirectly, by the Executive (other than solely in the Executive's capacity as an executive or member of the Board acting in the best interests of the Corporation) or any corporation controlled by the Executive); or

- (iii) Incumbent Directors ceasing to constitute a majority of the Board as a consequence of the solicitation of proxies through a proxy circular by persons other than management;
- (e) "Change in Control Period" means the Potential Change in Control Period and the three year period after a Change in Control;
- (f) "Corporation" shall have the meaning first set forth above;
- (g) "CSUP" means, as applicable in the circumstances, the Celestica Share Unit Plan made as of December 9, 2004 and as amended from time to time and any other plan providing for equity or equity-based incentives or compensation other than the ESPO Plan or the LTIP;
- (h) "CSUP Rights" shall mean the Executive's entitlements and rights under and determined in accordance with CSUP or failing such provisions, in accordance with the terms in respect of the change in control or termination set out in the Board resolution authorizing the grant of such incentive or compensation, or such other, more favourable terms, that the Board, acting in its discretion, may determine;
- (i) "Date of Grant" shall have the meaning given to such term in the LTIP;
- (j) "Date of Termination" means the date of termination of the employment of the Executive by the Corporation or the date on which the Executive provides notice to the Corporation of the termination of the Executive's employment for Good Reason or Good Reason upon Change in Control and for greater certainty, any such date of termination shall be considered to be the last date on which the Executive is actively at work and shall not be considered to extend to a later date by virtue of any statutory, contractual or common law notice period;

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- (k) "Employment Period" shall have the meaning set out in section 11(b) of this Agreement;
 - (l) "ESPO Plan" means, as applicable in the circumstances, the Corporation's Employee Share Purchase and Option Plan made as of March 24, 1997, as amended and restated on November 8, 2000, and as may be further amended from time to time, or the Corporation's Canadian Employee Share Purchase and Option Plan made as of March 23, 1998, as amended and restated on November 8, 2000, and as may be further amended from time to time;
 - (m) "ESPO Option" means an option to purchase shares in the capital of the Corporation granted under an ESPO Plan, which options have all vested as of the date of this Agreement;
 - (n) "Executive" shall have the meaning first set forth above;
 - (o) "Good Reason" for the voluntary termination by the Executive of the Executive's employment shall mean the occurrence (without the Executive's express written consent) of any one of the following acts by the Corporation, or failure by the Corporation to act, unless, in the case of any act or failure to act

described in subsection (i), (v), (vi) or (viii) below, such act or failure to act is corrected prior to the Date of Termination:

- (i) the assignment to the Executive of any duties inconsistent in any material adverse respect with the Executive's position, authority, duties or responsibilities as they exist immediately prior to the time of such assignment or the diminution or adverse alteration in any material adverse respect of such position, authority, duties or responsibilities, excluding for this purpose, any lateral transfer of the Executive and excluding, for this purpose, an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Corporation promptly after receipt of notice thereof given by Executive;
- (ii) any reduction in the Executive's rate of Annual Base Salary, or any reduction in the Executive's total cash and stock compensation opportunities, including Annual Base Salary and incentives, for any fiscal year to less than 100% of the total cash and stock compensation opportunities made available to the Executive immediately prior to the time of such reduction, except as determined by the Board in good faith and consistent with past practice and current market conditions or failure by the Corporation to provide the Executive with total cash and stock compensation opportunities in accordance with any agreement between the Executive and the Corporation (for this purpose, such opportunities shall be deemed reduced if the objective standards by which the Executive's incentive compensation measured becomes more stringent, the target or maximum amounts of such incentive compensation are

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reduced, or the amount of such incentive compensation is reduced on a discretionary basis from the amount that would be payable solely by reference to the objectives, as determined by the Board in good faith and consistent with past practice and current market conditions);

- (iii) the relocation of the Executive's principal place of employment to a location more than 100 kilometres outside the City of Toronto except for required travel on the Corporation's business to an extent substantially consistent with the Executive's present business travel obligations;
- (iv) the failure by the Corporation to pay to the Executive any portion of the Executive's current compensation within seven days of the date such compensation is due;
- (v) the failure by the Corporation to continue to effect any compensation plan in which the Executive participates immediately prior to the time of such failure which is material to the Executive's total compensation, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Corporation to continue the Executive's participation therein (or in such substitute or alternative plan) on a basis not materially less favourable, both in terms of the amount or timing of payment of benefits provided and the level of the Executive's participation relative to other participants, as existed immediately prior to the time of such failure;
- (vi) save and except where the Corporation implements a change to the benefits referred to in this paragraph that applies to all of the Corporation's employees in receipt of the benefit, the failure by the Corporation to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Corporation's pension, life insurance, medical, dental, health and accident or disability plans, programs or arrangements in which the Executive is participating immediately prior to the time of such failure or the taking of any other action by the Corporation which would directly or indirectly materially reduce any of such benefits or deprive the Executive of any material fringe benefit enjoyed by the Executive immediately prior to the time of the taking of such action, or the failure by the Corporation to continue to provide the Executive with the number of paid vacation days to which the Executive is entitled on the basis of years of service with the Corporation in accordance with the Corporation's normal vacation policy in effect immediately prior to the time of such failure;
- (vii) the failure by the Corporation to obtain the assumption of the agreement to perform this Agreement by any successor as contemplated in Section 26 hereof; or,

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(viii) any other purported termination by the Corporation of the Executive's employment other than for Cause.

(p) "Good Reason Upon A Change in Control" for the voluntary termination by the Executive of the Executive's employment shall mean:

- (i) the occurrence of any of the acts or failure to act of the Corporation set out in Section 1(m)(i) through (viii) inclusive, unless, in the case of any act or failure to act described in Section 1(m)(i), m(v), m(vi) or m(viii), such act or failure to act is corrected prior to the Date of Termination, where such acts or failure to act occurs during the Change in Control Period; or
- (ii) any breach of this Agreement by the Corporation during the Change in Control Period;

(q) "Incumbent Director" means any member of the Board who was a member of the Board immediately prior to the occurrence of a transaction, transactions or elections giving rise to a Change in Control (other than a transaction approved by the Board) and any successor to an Incumbent Director who is recommended or elected or appointed to succeed an Incumbent Director by the affirmative vote of a majority of the Incumbent Directors then on the Board;

(r) "LTIP" means the Corporation's Long-Term Incentive Plan made as of June 28, 1998, as amended and restated as of October 16, 2002, and as may be further amended from time to time;

(s) "Option" means an option to purchase shares in the capital of the Corporation, and includes options granted under the LTIP and/or any other future plans but does not include options granted under an ESPO Plan;

(t) "Performance-Contingent Options" means options granted under the LTIP and/or any other future plans, the vesting of which is determined in accordance with the achievement of performance targets established by the Board of Directors at the time of the grant of the options;

(u) "Performance Units" shall have the meaning given to such term in the LTIP;

(v) "Permanently Disabled" shall have the meaning set out in section 11(b) of this Agreement;

(w) "Plan" shall have the meaning set out in section 12(c)(vi) of this Agreement;

(x) "Potential Change in Control" shall be deemed to have occurred if any one of the following occurs:

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- (i) the Corporation enters into a binding agreement, the consummation of which would result in the occurrence of a Change in Control;
 - (ii) the Corporation publicly announces an intention to take or to consider taking action which, if consummated, would constitute a Change in Control; or
 - (iii) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred;
- (y) “Potential Change in Control Period” shall commence upon the occurrence of a Potential Change in Control and shall lapse immediately following the first to occur of:
- (i) a Change in Control; or
 - (ii) the first anniversary of the occurrence of a Potential Change in Control;
- (z) “Right” means a stock appreciation right and includes stock appreciation rights granted under the LTIP and/or any other future plans;
- (aa) “SERP” shall have the meaning set out in section 12(c)(vi) of this Agreement;
- (bb) “Shares” shall have the meaning given to such term in the LTIP;
- (cc) “Target Bonus” means eighty percent (80%) of the Executive’s Annual Base Salary or such higher percentage of the Executive’s Annual Base Salary as may be approved by the Board from time to time;
- (dd) “Trade Secrets” shall have the meaning set out in section 13(a) of this Agreement; and
- (ee) “Year” shall have the meaning given to such term in the LTIP.

2. Position – Capacity and Services

The Executive shall continue to serve the Corporation and any subsidiaries of the Corporation in such capacity or capacities and shall perform such duties and exercise such powers pertaining to the management and operation of the Corporation and any subsidiaries and associates of the Corporation (as those terms are defined in the Business Corporations Act (Ontario)) as may be determined from time to time by the Chief Executive Officer of the Corporation consistent with the office of the Executive. It is acknowledged and agreed that the duties and responsibilities of the Executive may be adjusted from time to time by the Chief Executive Officer of the Corporation as the Chief Executive Officer of the Corporation may determine to be appropriate in light of growth and other changes in the business and affairs of the Corporation and its subsidiaries and associates (but not in such a manner as would constitute

Good Reason or Good Reason upon a Change in Control). Without limitation of the foregoing, the Executive shall occupy the office of Chief Financial Officer of the Corporation and shall:

- (a) devote all of the Executive’s business time and attention and the Executive’s best efforts to the business and affairs of the Corporation, provided however, that the Executive may serve as a member of a board of directors of an entity if the Board, or an appropriate committee thereof, determines in its sole discretion that such membership is not averse to the interests of the Corporation;
- (b) perform those duties that may reasonably be assigned to the Executive diligently and faithfully to the best of the Executive’s abilities and in the best interests of the Corporation; and
- (c) use the Executive’s best efforts to promote the interests and goodwill of the Corporation.

3. Reporting Procedures

The Executive shall report to the Chief Executive Officer of the Corporation. The Executive shall report fully to the Chief Executive Officer of the Corporation on the Executive’s scope of responsibility and advise to the best of the Executive’s ability and in accordance with reasonable business standards on business matters that may arise within such scope of responsibility from time to time.

4. Remuneration

(a) **Annual Base Salary.** The annual base salary (the “Annual Base Salary”) payable to the Executive for the Executive’s services hereunder for the term of this Agreement shall be as determined by the Board from time to time, and shall be exclusive of bonuses, benefits and other compensation. The Annual Base Salary shall be payable in equal bi-monthly instalments in arrears in accordance with existing practice, or in such other manner as may be mutually agreed upon, less, in any case, any deductions or withholdings required by law.

(b) **Additional Remuneration and Benefits.** The Corporation shall provide the Executive with employee benefits comparable to those provided by the Corporation from time to time to other senior executive officers of the Corporation and shall permit the Executive to participate in any bonus plan, incentive plan, share option plan, share purchase plan, retirement plan, or similar plan offered by the Corporation from time to time to its senior executive officers in the manner and to the extent authorized by the Board.

5. Salary and Bonus Adjustments

The Chief Executive Officer of the Corporation shall review the compensation arrangements relating to the Executive at least once per calendar year, including the Annual Base Salary, any executive bonus and any incentive plan(s) applicable to the Executive. If the Chief Executive Officer of the Corporation shall determine that it is advisable to do so, the Chief

6. Vacation

The Executive shall be entitled to paid vacation in each fiscal year of the Corporation in accordance with the Corporation's vacation policy for employees of the Corporation (including the Executive) that is currently in effect, as it may change from time to time. The Executive's paid vacation is to be taken at a time approved in advance by the Chief Executive Officer of the Corporation, which approval shall not be unreasonably withheld but shall take into account the staffing requirements of the Corporation and the need for the timely performance of the Executive's responsibilities. In the event that the Executive decides not to take all the vacation to which the Executive is entitled in any fiscal year, the Executive's entitlement to take any such vacation in the next following fiscal year shall be determined in accordance with the Corporation's vacation policy for employees of the Corporation (including the Executive) in effect from time to time.

7. Expenses

The Executive shall be reimbursed for all reasonable travel and out-of-pocket expenses actually and properly incurred by the Executive from time to time in connection with carrying out the Executive's duties hereunder. For all such expenses the Executive shall furnish to the Corporation originals of all invoices, receipts or statements in respect of which the Executive seeks reimbursement as and when required by the Corporation's normal procedures for the submission of expense reports by employees of the Corporation.

8. Relocation

The location at which the Executive shall normally be required to attend for the purposes of performing his employment duties shall not, without the prior consent of the Executive, be located more than 100 kilometres outside the City of Toronto, except that this provision shall not be taken to limit the obligation of the Executive to undertake such reasonable business travel from time to time as is concomitant with the duties and office of the Executive.

9. Continuation of Employment upon a Change in Control

Upon a Change in Control, the Corporation agrees to continue the Executive in its employ, in accordance with the terms and provisions of this Agreement, on the same terms and conditions which were in effect immediately prior to the Change in Control or on such other terms as may be subsequently agreed upon in writing between the Corporation and the Executive.

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10. Vesting of Options, Stock Appreciation Rights, Performance-Contingent Options, Performance Units and CSUP Rights

(a) **Options and Stock Appreciation Rights.** Upon a Change in Control or upon termination of the Executive's employment without cause during the Change in Control Period or voluntary termination by the Executive of the Executive's employment for Good Reason during the Change in Control Period, all unvested and unexercised Options and Rights granted to the Executive shall vest immediately and shall become exercisable in accordance with the terms of each such Option or Right or the plan governing each such Option or Right.

(b) **Performance-Contingent Options.** Upon a Change in Control or upon termination of the Executive's employment without cause during the Change in Control Period or voluntary termination by the Executive of the Executive's employment for Good Reason during the Change in Control Period, all unvested and unexercised Performance-Contingent Options granted to the Executive shall become eligible for vesting and shall vest immediately, the extent of such vesting to occur in accordance with the terms governing vesting on change of control set out in the Board resolution authorizing the grant of such Performance Contingent Options or such other, more favourable, terms as the Board, acting in its discretion, may determine, and shall become exercisable in accordance with the terms of each such Performance-Contingent Option or the plan governing each such Performance-Contingent Options.

(c) **Performance Units.** Upon a Change in Control or upon termination of the Executive's employment without cause during the Change in Control Period or voluntary termination by the Executive of the Executive's employment for Good Reason during the Change in Control Period, all Performance Units allocated to the Executive under the LTIP shall be issued or provided in the form of Shares to the Executive.

(d) **CSUP Rights.** Upon a Change in Control or upon termination of the Executive's employment without cause during the Change in Control Period or voluntary termination by the Executive of the Executive's employment for Good Reason during the Change in Control Period, the change of control provisions of the CSUP shall be deemed to be triggered and the Executive shall be entitled to the Executive's CSUP Rights in respect thereto..

11. Termination

(a) **Termination for Cause.** The Corporation may terminate the employment of the Executive for Cause without notice or any payment in lieu of notice.

(b) **Termination on Disability or Death.** The Executive's employment hereunder may be immediately terminated by the Corporation by notice to the Executive if the Executive becomes permanently disabled ("Permanently Disabled"). The Executive shall be deemed to have become Permanently Disabled if in any year during the period of the Executive's employment with the Corporation pursuant hereto (the "Employment Period"), because of ill health, physical or mental disability, or for other causes beyond the control of the Executive, the Executive has been continuously unable or unwilling or has failed to perform the Executive's duties for 120 consecutive days, or if, during any year of the Employment Period, the Executive

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has been unable or unwilling or has failed to perform the Executive's duties for a total of 180 days, consecutive or not. The term "any year of the Employment Period" means any period of 12 consecutive months during the Employment Period. This Agreement shall terminate automatically without notice upon the death of the Executive.

(c) **Resignation by the Executive.** The Executive may resign the Executive's employment with the Corporation at any time upon giving sixty (60) days' written notice to the Corporation. The Corporation may waive such notice in whole or in part. If the Executive resigns the Executive's employment, the Corporation shall have no further obligations or responsibilities hereunder to the Executive.

12. Severance Payments and Entitlements

(a) **Termination for Cause.** Upon termination of the Executive's employment for Cause as described in Section 11(a), the Executive shall not be entitled to any payments other than the unpaid Annual Base Salary earned by the Executive before the Date of Termination calculated pro rata up to and including the Date of Termination together with any payment for notice or severance to which the Executive is entitled under the applicable employment legislation in force from time to time. The Executive's Options, Performance Contingent Options, Performance Units and Rights granted under the LTIP and any CSUP Rights terminate effective the Date of Termination and may not be exercised thereafter.

(b) **Termination on Disability or Death.** Upon termination of the Executive's employment by reason of the Executive becoming Permanently Disabled or on the death of the Executive as described in section 11(b), except as otherwise provided under the ESPO Plan, the LTIP, the CSUP or under the Corporation's applicable incentive plans, life insurance, pension plan, medical, dental, health and accident and disability plans and pension and retiree benefit plans, the Executive or, in the case of death, the Executive's family, shall not be entitled to receive any payments other than the unpaid Annual Base Salary earned by the Executive to the date of the Executive becoming Permanently Disabled or the date of the Executive's death and, in the event of the Executive's death, that portion, if any, of the Executive's annual bonus that would be paid out in accordance with the Corporation's policy with respect to same in effect at the date of the Executive's death. Notwithstanding the foregoing, nothing in this provision shall affect the Executive's right to claim or receive death or disability benefits provided for in section 4(b) of this Agreement.

(c) **Termination without Cause or for Good Reason.** Upon (i) termination of the Executive's employment without Cause or (ii) voluntary termination by the Executive of the Executive's employment for Good Reason:

- (i) the Executive shall be entitled to receive, and the Corporation shall pay to the Executive, in lieu of two years' notice of termination, the aggregate of the following amounts (less any deductions required by law):

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(A) if not theretofore paid, that portion of the Annual Base Salary earned by or payable to the Executive during the then current fiscal year of the Corporation for the period to and including the Date of Termination, together with all benefits payable to the Executive through to and including the Date of Termination under the terms of the Corporation's benefit plans, programs or arrangements as in effect immediately prior to the Date of Termination;

(B) a pro rated portion of the Executive's Target Bonus calculated by multiplying (1) the Target Bonus by (2) a fraction, the numerator of which is the number of days in the applicable fiscal year through to and including the Date of Termination and the denominator of which is 365; and

(C) a lump sum payment in cash equal to two times the sum of (1) the Annual Base Salary at the Date of Termination, and (2) the Executive's Target Bonus;

- (ii) (A) the Corporation shall maintain in full force and effect, for the continued benefit of the Executive and the Executive's family, until two years after the Date of Termination, all life insurance, medical, dental, health and accident and disability plans, programs or arrangements in which the Executive was entitled to participate immediately prior to the Date of Termination (or in the case of voluntary termination by the Executive for Good Reason upon or following a Change in Control as a result of a reduction in benefits, if more favourable to the Executive, such coverage and terms as were in effect immediately prior to the Change in Control) at a cost to the Executive no greater than that which the Executive paid while employed, provided that the Executive's continued participation is possible under the general terms and provisions of such plans and programs. In the event that the Executive's participation is barred, the Corporation shall arrange to provide the Executive, at the Corporation's expense, with benefits substantially similar to those which the Executive is entitled to receive under such plans, programs or arrangements; or

(B) at the Executive's request, the Corporation will make a cash payment in an amount equal to the then estimated net present value (as determined by the Board, acting reasonably, assuming that the Executive would be employed by the Corporation for the ensuing two years and using as a discount rate the Corporation's cost of funds under its principal bank working capital credit lines) of such benefits for the two-year period following the Date of Termination;

- (iii) those Options, Performance-Contingent Options and Rights granted to the Executive that would have otherwise vested and become exercisable

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during the twelve-week period following the Date of Termination shall vest and become exercisable during such twelve-week period in accordance with their terms and, together with any Options, Performance-Contingent Options and Rights that vested prior to the Date of Termination, shall terminate and may not be exercised after the earlier of thirty (30) days after the expiry of such twelve week period and the original expiry date of such Option, Performance-Contingent Option or Right;

- (iv) all unexercised ESPO Options granted to the Executive shall be exercisable until the earlier of a twelve week and thirty day period after the Date of Termination and the ESPO Option's original date of expiry;

- (v) those Performance Units allocated to the Executive under the LTIP which are not already issued or provided in the form of Shares to the Executive shall be issued or provided in the form of Shares to the Executive on the following basis:

| <u>If Date of Termination occurs in:</u> | <u>% of related Performance Units to be issued or provided in the form of Shares:</u> |
|--|---|
| 1 st Year following Date of Grant | 33-1/3% |
| 2 nd Year following Date of Grant | 66-2/3% |
| 3 rd Year following Date of Grant | 100% |

- (vi) the Executive shall have the Executive's CSUP Rights in such event; and;

- (vii) the Corporation shall maintain the Executive's participation in the Celestica Retirement Plan (the "Plan") and the Celestica Supplementary Retirement Plan (the "SERP") for a period of two years from the Date of Termination.

(d) **Termination During the Change in Control Period or for Good Reason During the Change in Control Period.** Upon (i) termination of the Executive's employment by the Corporation during the Change in Control Period other than for Cause or (ii) voluntary termination by the Executive of the Executive's employment for Good Reason upon a Change in Control during the Change in Control Period:

- (i) in lieu of notice, the Corporation shall pay to the Executive the aggregate of the following amounts (less any deductions required by law):

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(A) if not theretofore paid, that portion of the Annual Base Salary earned by or payable to the Executive during the then current fiscal year of the Corporation for the period to and including the Date of Termination, together with all benefits payable to the Executive through to and including the Date of Termination under the terms of the Corporation's benefit plans, programs or arrangements as in effect immediately prior to the Date of Termination;

(B) a pro rated portion of the Executive's Target Bonus calculated by multiplying (1) the Target Bonus by (2) a fraction, the numerator of which is the number of days in the applicable fiscal year through to and including the Date of Termination and the denominator of which is 365; and

(C) a lump sum payment in cash equal to three times the sum of (x) the Annual Base Salary at the Date of Termination, and (y) the Executive's Target Bonus;

(ii) (A) the Corporation shall maintain in full force and effect, for the continued benefit of the Executive and the Executive's family, until three years after the Date of Termination, all life insurance, medical, dental, health and accident and disability plans, programs or arrangements in which the Executive was entitled to participate immediately prior to the Date of Termination (or in the case of voluntary termination by the Executive for Good Reason upon or following a Change in Control as a result of a reduction in benefits, if more favourable to the Executive, such coverage and terms as were in effect immediately prior to the Change in Control) at a cost to the Executive no greater than that which the Executive paid while employed, provided that the Executive's continued participation is possible under the general terms and provisions of such plans and programs. In the event that the Executive's participation is barred, the Corporation shall arrange to provide the Executive, at the Corporation's expense, with benefits substantially similar to those which the Executive is entitled to receive under such plans, programs or arrangements; or

(B) at the Executive's request, the Corporation will make a cash payment in an amount equal to the then estimated net present value (as determined by the Board, acting reasonably, assuming that the Executive would be employed by the Corporation for the ensuing three years and using as a discount rate the Corporation's cost of funds under its principal bank working capital credit lines) of such benefits for the three-year period following the Date of Termination;

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(iii) all Options and Rights vest pursuant to section 10(a) hereof and shall be exercisable for the remainder of the term to expiry of each such Option or Right;

(iv) all unexercised ESPO Options granted to the Executive shall be exercisable until the earlier of a three year and thirty day period following the date of Termination and the ESPO Option's original date of expiry;

(v) all Performance-Contingent Options vest pursuant to section 10(b) hereof and shall be exercisable for the remainder of the term to expiry of each such Performance-Contingent Option; and,

(vi) the Executive shall have the Executive's CSUP Rights in such event.

(e) **Pension Payable on or Following a Change in Control.** Upon (i) termination of the Executive's employment other than for Cause or, (ii) voluntary termination by the Executive of the Executive's employment for Good Reason at any time on or following a Change in Control, in addition to any payments and entitlements to which the Executive is entitled to under section 12(d) above, notwithstanding anything to the contrary contained in the Plan or the SERP, the pension payable to the Executive under the Plan and the SERP will be determined as if the Executive were eligible for an unreduced pension commencing on June 1, 2010, being the earliest date on which the Executive would be eligible for an unreduced pension from the Plan and the SERP, pursuant to the terms of the Plan and the SERP in effect as of the date hereof and based on the Executive's Updated Earnings and Credited Service (as such terms are defined under the Plan) as of the Date of Termination.

(f) **Notice of Termination by the Executive for Good Reason or Good Reason upon a Change in Control.** Any termination of employment by the Executive for Good Reason or for Good Reason upon a Change in Control shall: be communicated in writing by the Executive; indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail any facts and circumstances claimed to provide a basis for the termination of the Executive's employment under the provision so indicated; and, be delivered within sixty (60) days of the act or failure to act giving rise to the Good Reason or Good Reason upon a Change in Control. The Executive shall not be required to report to work or perform services for the Corporation subsequent to the Corporation's receipt of the Executive's notice of termination.

(g) **Executive Entitlement When Dispute.** All amounts payable, benefits due or owed or amounts payable in lieu of benefits under Section 12 shall, unless otherwise specifically provided, be paid by the Corporation to the Executive within thirty days of the Date of Termination, notwithstanding that the Corporation may dispute the Executive's entitlement to such amounts. The Executive is entitled to receive all amounts owing under Section 12, and the Corporation shall not initiate any injunctive proceedings in a court of competent jurisdiction or any arbitration proceeding pursuant to Section 18 to prevent the Executive from enforcing his right to receive such amounts, and should the Corporation initiate any proceeding disputing the

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Executive's entitlement to such amounts, the Corporation agrees to continue to provide such amounts to the Executive in accordance with the terms of this Agreement, pending final resolution of the dispute by an arbitrator pursuant to Section 18 (it being acknowledged and agreed by the parties that a court of competent jurisdiction can issue only an interim injunction on the question of the Executive's entitlements under Section 12).

13. Confidentiality, Non-Solicitation and Non-Competition

(a) The Executive acknowledges and agrees that:

(i) in the course of performing the Executive's duties and responsibilities as an officer of the Corporation, the Executive has had and will be entrusted with detailed confidential information and trade secrets (printed or otherwise) concerning past, present, future, and contemplated products, services, operations and marketing techniques and procedures of the Corporation and its subsidiaries, including, without limitation, business plans, inventions, pending and undisclosed patents and patent applications, proprietary business methods and proprietary manufacturing operations, proprietary product and proprietary manufacturing information, know how, and information relating to addresses, preferences, needs and requirements of past, present and prospective clients, customers, suppliers and employees of the Corporation and its subsidiaries (collectively, "Trade Secrets"), the disclosure of any of which to competitors of the Corporation or to the general public, or the use of same by the Executive or any competitor of the Corporation or any of its subsidiaries, would be highly detrimental to the interests of the Corporation;

- (ii) in the course of performing the Executive's duties and responsibilities for the Corporation, the Executive has been and will continue in the future to be a representative of the Corporation to its customers, clients and suppliers and as such has had and will continue in the future to have significant responsibility for maintaining and enhancing the goodwill of the Corporation with such customers, clients and suppliers and would not have, except by virtue of the Executive's employment with the Corporation, developed a close and direct relationship with the customers, clients and suppliers of the Corporation;
- (iii) the Executive's services are extraordinary and unique;
- (iv) the Corporation has a proprietary interest in its customers and clients;
- (v) the Executive, as an officer of the Corporation, owes fiduciary duties to the Corporation, including the duty to act in the best interests of the Corporation; and,

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- (vi) the right to maintain the confidentiality of the Trade Secrets, the right to preserve the goodwill of the Corporation and the right to the benefit of any relationships that have developed between the Executive and the customers, clients and suppliers of the Corporation by virtue of the Executive's employment with the Corporation constitute proprietary rights of the Corporation, that the Corporation is entitled to protect.
- (b) In acknowledgment of the matters set out in (a) above, and in consideration of the payments to be received by the Executive pursuant to this Agreement, the Executive hereby agrees that the Executive will not, during the term of the Executive's employment with the Corporation and for two years from either the Date of Termination or the Executive's resignation of the Executive's employment:
- (i) directly or indirectly disclose to any person or in any way make use of (other than for the benefit of the Corporation), in any manner, any of the Trade Secrets, provided that such Trade Secrets shall be deemed not to include information that is or becomes generally available to the public other than as a result of disclosure by the Executive;
 - (ii) be a party to or abet any solicitation of customers, clients, or suppliers of the Corporation or any of its subsidiaries or associates, to transfer business from the Corporation or any of its subsidiaries or associates to any other person, or seek in any way to persuade or entice any employee of the Corporation or any of its subsidiaries or associates to leave that employment or to be a party to or abet any such action;
 - (iii) either individually or in partnership or jointly or in conjunction with any person or persons, firm, association, syndicate, company or corporation, as principal, agent, shareholder (unless passive investor) or in any other manner whatsoever, be involved with any business that is in competition with the business of the Corporation which business means the electronics manufacturing services business (the "Business of the Corporation"). During the same time period, the Executive will not carry on or be engaged in or concerned with or interested in, or advise, lend money to, guarantee the debts or obligations of, or permit the Executive's name or any part thereof to be used or employed by or associated with, any person or persons, firm, association, syndicate, company or corporation in any business that is involved in any similar business in which the Corporation is involved during the course of the Executive's employment
- (c) If any court determines that any provision contained in Section 13 including, without limitation, a restrictive covenant or any part thereof is unenforceable because of the duration or geographical scope of the provision or for any other reason, the duration or scope of the provision, as the case may be, shall be

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reduced so that the provision becomes enforceable and, in its reduced form, the provision shall then be enforceable and shall be enforced;

- (d) The Executive acknowledges that the Executive's employment by the Corporation and all compensation and benefits and potential compensation and benefits to the Executive from such employment were and will be conferred by the Corporation upon the Executive in part because and on condition of the Executive's willingness to commit the Executive's best efforts and loyalty to the Corporation, including protecting the Corporation's right to have its Trade Secrets protected from non-disclosure by the Executive and abiding by the confidentiality, non-competition and other provisions herein. The Executive understands the Executive's duties and obligations as set forth in Section 13 and agrees that such duties and obligations would not unduly restrict or curtail the Executive's legitimate efforts to earn a livelihood following any termination of the Executive's employment with the Corporation. The Executive agrees that the restrictions contained in Section 13 are reasonable and valid and all defences to the strict enforcement thereof by the Corporation are waived by the Executive. The Executive further acknowledges that irreparable damage would result to the Corporation if the provisions of Sections 13(b)(i) to (iii) are not specifically enforced, and agrees that the Corporation shall be entitled to any appropriate legal, equitable, or other remedy, including injunctive relief, in respect of any failure or continuing failure to comply with the provisions of Sections 13(b)(i) to (iii);
- (e) The preceding covenants do not prohibit investment, up to a maximum of five percent (5%) of the outstanding shares, in a corporation whose shares are listed on a recognized stock exchange and which carries on a business similar to the Business of the Corporation.

14. Return of Materials

All files, forms, brochures, books, materials, written correspondence, memoranda, documents, manuals, computer disks, software products and lists (including lists of customers, suppliers, products and prices) pertaining to the business of the Corporation or any of its subsidiaries and associates that may come into the possession or control of the Executive shall at all times remain the property of the Corporation or such subsidiary or associate, as the case may be. On termination of the Executive's employment for any reason, the Executive agrees to deliver promptly to the Corporation all such property in the possession of the Executive or directly or indirectly under the control of the Executive. The Executive agrees not to make for the Executive's personal or business use or that of any other party, reproductions or copies of any such property or other property of the Corporation or any of its subsidiaries or associates.

15. Duty to Mitigate

The Executive shall not be subject to any duty or obligation to seek alternate employment or other sources of income or benefits, or to mitigate the Executive's damages, or to

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any similar duty or obligation and any compensation earned by the Executive after the Date of Termination shall not be deducted from any payments to be made to the Executive pursuant to this Agreement following or as a result of: (a) voluntary termination by the Executive of the Executive's employment for Good Reason or Good Reason during the Change in Control Period; or, (b) termination of the employment of the Executive by the Corporation other than for Cause.

16. Further Assurances

Each of the Corporation and the Executive agrees to execute and deliver all such documents and to do all such acts and things as the other party may reasonably request and as may be lawful and within its powers to do or to cause to be done in order to carry out and/or implement the provisions or intent of this Agreement, including, without limitation, seeking all such governmental, regulatory and other third party approvals as may be necessary or desirable. Without limiting the generality of the foregoing, the Corporation agrees to execute and deliver all such documents and to do all such acts and things as the Executive may reasonably request and as may be lawful and within the power of the Corporation to do or cause to be done in order to minimize any tax consequences to the Executive or his estate or his legal personal representatives in respect of the payment or performance by the Corporation of the obligations of the Corporation upon or in respect of payments or actions required to be made or taken by or on behalf of the Corporation in the event of termination of the Executive's employment hereunder; provided that the Corporation shall in no way be prejudiced thereby.

17. Governing Law

The Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

18. Arbitration Clause

(a) With the exception of Article 13, where there is any dispute as to any provision of this Agreement and the Executive and the Corporation are unable to come to a mutual agreement within a period of 10 days from the date on which one party advises the other party, in writing, of the dispute, within 10 days after the expiry of such period, either party may give written notice of the issue on which a mutual decision has not been made to an arbitrator selected from (c) below, with a copy of the notice to the other party.

Upon receipt of such notice, the arbitrator will contact each of the parties and attempt to resolve the matter within 5 days of receipt of the notice, failing which the arbitrator shall schedule a hearing to commence within 90 days thereafter, that hearing to conclude and the decision to be rendered within 120 days (or such later time as agreed upon between the parties) thereafter.

It is understood and agreed the arbitrator shall have the sole discretion to establish a procedure for the conduct of the arbitration, provided only that such procedure shall give to each party an opportunity to state and argue their respective positions, either in writing or orally

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in the presence of the arbitrator and each other party and whether with or without reply or rejoinder. The decision of the arbitrator shall be final and binding.

Any arbitration pursuant to this clause shall be in accordance with the *Arbitrations Act (Ontario)*.

(b) It is understood that the Executive and the Corporation would prefer to avoid litigation due to a possible breach of Article 13, upon the acceptance of a new position by the Executive. As a result, the parties agree that where the Executive is considering a new position, particularly following termination of employment, the Executive may seek the prior agreement of the Corporation that such new position is not with a competitor of the Corporation. Where there is a disagreement as to whether this new position is with a competitor of the Corporation (and the Executive has not accepted any offer and commenced employment in respect thereof), the parties agree to have this issue finally determined on an expedited basis by an agreed upon arbitrator as set out in (c) below. The process and authority of the arbitrator shall be as described above, except that in this case only the hearing must be concluded and the decision rendered within 30 days of the arbitrator receiving notice of the dispute.

(c) For the purpose of this Agreement, the parties agree that any one of the following can be selected as the arbitrator: Mr. Justice George Adams, William Kaplan, Maureen K. Saltman or Daniel J. Baum, or any other arbitrator the parties mutually agree upon should none of these arbitrators be available within the timelines set out herein.

19. Severability

With the exception of Section 13, if any provision of the Agreement, including the breadth or scope of such provision, shall be held by an arbitrator pursuant to Section 18 to be invalid or unenforceable, in whole or in part, such invalidity or unenforceability shall not affect the validity or enforceability of the remaining provisions, or part thereof, of this Agreement and such remaining provisions, or part thereof, shall remain enforceable and binding.

20. Representations and Warranties

The Executive represents and warrants to the Corporation that the execution and performance of this Agreement will not result in or constitute a default, breach, or violation, or an event that, with notice or lapse of time or both, would be a default, breach, or violation, of any understanding, agreement or commitment, written or oral, express or implied, to which the Executive is a party or by which the Executive or the Executive's property is bound. The Executive shall defend, indemnify and hold the Corporation harmless from any liability, expense or claim (including solicitor's fees incurred in respect thereof) by any person in any way arising out of, relating to, or in connection with any incorrectness or breach of the representations and warranties in this Section 20.

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21. Rights and Waivers

All rights and remedies of the parties are separate and cumulative, and none of them, whether exercised or not, shall be deemed to be to the exclusion of any other rights or remedies or shall be deemed to limit or prejudice any other legal or equitable rights or remedies which either of the parties may have.

22. Waiver

Any purported waiver of any default, breach or non-compliance under this Agreement is not effective unless in writing and signed by the party to be bound by the waiver. No waiver shall be inferred from or implied by any failure to act or delay in acting by a party in respect of any default, breach or non-observance or by anything done or omitted to be done by the other party. The waiver by a party of any default, breach or non-compliance under this Agreement shall not operate as a waiver of that party's rights under this Agreement in respect of any continuing or subsequent default, breach or non-observance (whether of the same or any other nature).

23. Time of Essence

Time shall be of the essence of this Agreement in all respects.

24. Headings

The division of this Agreement into Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

25. Full Satisfaction

The terms set out in this Agreement, provided that such terms are satisfied by the Corporation, are in lieu of (and not in addition to) and in full satisfaction of any and all other claims or entitlements which the Executive has or may have upon the termination of the Executive's employment and the compliance by the Corporation with these terms will effect a full and complete release of the Corporation and its parent and their respective affiliates, associates, subsidiaries and related companies from any and all claims which the Executive may have for whatever reason or cause in connection with the Executive's employment and the termination of it, other than those obligations specifically set out in this Agreement. In agreeing to the terms set out in this Agreement, the Executive specifically agrees to execute a formal release document to that effect and will deliver upon request appropriate resignations from all offices and positions with the Corporation and its parent and their respective affiliated, associated subsidiary or affiliated companies if, as and when requested by the Corporation upon termination of the Executive's employment within the circumstances contemplated by this Agreement.

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26. Successors; Binding Agreement

The Corporation will require any successor (whether direct or indirect, by purchase, amalgamation, arrangement, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Corporation to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform it if no such succession had taken place. Failure of the Corporation to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Corporation in the same amount and on the same terms as the Executive would be entitled hereunder if the Executive were terminated in circumstances giving rise to the payment of benefits pursuant to Section 12 hereof except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. The foregoing shall not in any way limit the rights of the Executive hereunder if such succession constitutes a Change in Control. As used in this Agreement, "Corporation" shall mean the Corporation as hereinbefore defined and any successor to its business and/or assets as aforesaid which executes and delivers the agreement provided for in this paragraph or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

27. No Assignment

The Executive may not assign, pledge or encumber the Executive's interest in this Agreement nor assign any of the rights or duties of the Executive under this Agreement without the prior written consent of the Corporation.

28. Statutory Deductions and Withholdings

All payments provided to the Executive pursuant to this Agreement are subject to necessary statutory deductions and withholdings.

29. Successors

This Agreement shall be binding on and enure to the benefit of the successors and assigns of the Corporation and the heirs, executors, personal legal representatives and permitted assigns of the Executive.

30. Entire Agreement

This Agreement supersedes and replaces in its entirety the Employment Agreement dated as of October 22, 1996, between the Executive and the Corporation. This Agreement contains the entire understanding of the Executive and the Corporation with respect to employment of the Executive and supersedes any and all prior understandings, written or oral. This Agreement may not be amended, waived, discharged or terminated orally but only by an instrument in writing executed by both parties.

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31. Notices

Any notice or other communication required or permitted to be given hereunder shall be in writing and either delivered by hand or sent by facsimile. If delivery by hand or by facsimile, notice shall be deemed to have been received at the time it is delivered or received. Notices shall be addressed as follows:

(a) If to the Corporation:

Celestica Inc.
1150 Eglinton Avenue East
Toronto, ON
M3H 1H7

Attention: General Counsel
Fax No.: (416) 448-2817

(b) If to the Executive:

Anthony P. Puppi
433 Stephanie Blvd.
Woodbridge, ON
L4L 1A6

Fax No.: 905-303-3321

32. **Legal Advice**

The Executive hereby represents and warrants to the Corporation and acknowledges and agrees that the Executive had the opportunity to seek and was not prevented nor discouraged by the Corporation from seeking independent legal advice prior to the execution and delivery of this Agreement and that, in the event that the Executive did not avail himself or herself of that opportunity prior to signing this Agreement, the Executive did so voluntarily without any undue pressure and agrees that the Executive's failure to obtain independent legal advice shall not be used by the Executive as a defence to the enforcement of the Executive's obligations under this Agreement. The Corporation agrees to reimburse the Executive for the reasonable legal fees incurred by the Executive in obtaining such legal advice.

IN WITNESS WHEREOF the parties hereto have executed this Agreement effective as of the date first above written.

CELESTICA INC.

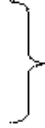
by /s/ Stephen Delaney
Name: Stephen W. Delaney
Title: Chief Executive Officer

CELESTICA INTERNATIONAL INC.

by /s/ Stephen Delaney
Name: Stephen W. Delaney
Title: Chief Executive Officer

SIGNED, SEALED & DELIVERED
in the presence of:

/s/ Elizabeth DelBianco
Witness: Elizabeth DelBianco



/s/ Anthony Puppi
Anthony P. Puppi

Celestica Cayman Holdings 1 Limited, a Cayman Islands corporation.

Celestica Cayman Holdings 9 Limited, a Cayman Islands corporation.

Celestica Corporation, a Delaware corporation.

Celestica (Dongguan-SSL) Technology Limited, a China corporation.

Celestica (Gibraltar) Limited, a Gibraltar corporation.

Celestica Holdings Pte Ltd., a Singapore corporation.

Celestica Hong Kong Limited, a Hong Kong corporation.

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

Celestica (Luxembourg) S.' AR.L., a Luxembourg corporation.

Celestica (Thailand) Limited, a Thailand corporation.

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

IMS International Manufacturing Services Limited, a Cayman Islands corporation.

1282087 Ontario Inc., an Ontario corporation.

1755630 Ontario Inc., an Ontario corporation.

CERTIFICATIONS

I, Craig H. Muhlhauser, certify that:

1. I have reviewed this annual report on Form 20-F of Celestica Inc.;
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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 period covered by the 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 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 the company's board of directors (or persons performing the equivalent functions):

(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: March 25, 2008

/s/ Craig Muhlhauser
Craig H. Muhlhauser
Chief Executive Officer

CERTIFICATIONS

I, Paul Nicoletti, certify that:

1. I have reviewed this annual report on Form 20-F of Celestica Inc.;
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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 period covered by the 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 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 the company's board of directors (or persons performing the equivalent functions):

(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: March 25, 2008

/s/ Paul Nicoletti
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 Annual Report of the Company on Form 20-F for the period ended December 31, 2007 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.

March 25, 2008

/s/ Craig MuhlhauserCraig H. Muhlhauser
Chief Executive Officer

March 25, 2008

/s/ Paul NicolettiPaul 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.



KPMG LLP
Chartered Accountants
Yonge Corporate Centre
4100 Yonge Street, Suite 200
Toronto ON M2P 2H3
Canada

Telephone (416) 228-7000
Telefax (416) 228-7123
Internet www.kpmg.ca

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Celestica Inc.

We consent to the incorporation by reference in the registration statements on *Forms S-8* (Nos. 333-9500, 333-9822, 333-9780, 333-71126, 333-66726, 333-63112, 333-88210 and 333-113591) and on *Forms F-3* (Nos. 333-12272, 333-50240, 333-69278 and 333-113728) of Celestica Inc. of our reports dated February 13, 2008, with respect to the consolidated balance sheets of Celestica Inc. as of December 31, 2007 and 2006, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2007, and the effectiveness of internal control over financial reporting as of December 31, 2007, which reports appear in the December 31, 2007 annual report on Form 20-F of Celestica Inc.

/s/ KPMG LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Canada
March 25, 2008
