

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

FORM 20-F

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001  
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  
TORONTO, ONTARIO, CANADA M3C 3R8  
(ADDRESS OF REGISTRANT'S 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  
The New York Stock Exchange  
(NAME OF EACH EXCHANGE ON WHICH REGISTERED)

Liquid Yield Option-TM- Notes due 2020  
(TITLE OF CLASS)

The 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:

10 1/2% Senior Subordinated Notes Due 2006  
(TITLE OF CLASS)

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.

190,642,482 Subordinate Voting Shares	0	Preference Shares
39,065,950 Multiple Voting Shares		

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

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

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## TABLE OF CONTENTS

	PAGE
	-----
PART I.....	1
Item 1. Identity of Directors, Senior Management and Advisors.....	1
Item 2. Offer Statistics and Expected Timetable.....	1
Item 3. Key Information.....	1
A. Selected Financial Data.....	1
B. Capitalization and Indebtedness.....	4
C. Reasons for Offer and Use of Proceeds.....	4
D. Risk Factors.....	4
Item 4. Information on the Company.....	12
A. History and Development of the Company.....	12
B. Business Overview.....	13
C. Organizational Structure.....	25
D. Description of Property.....	25
Item 5. Operating and Financial Review and Prospects.....	26
A. Operating Results.....	28
B. Liquidity and Capital Resources.....	34
C. Research and Development, Patents and Licenses, Etc.....	37
D. Trend Information.....	37
Item 6. Directors, Senior Management and Employees.....	38
A. Directors and Senior Management.....	38
B. Compensation.....	42
C. Board Practices.....	47
D. Employees.....	48
E. Share Ownership.....	48
Item 7. Major Shareholders and Related Party Transactions.....	52
A. Major Shareholders.....	52
B. Related Party Transactions.....	54
C. Interests of Experts and Counsel.....	55
Item 8. Financial Information.....	55
A. Consolidated Statements and Other Financial Information.....	55
B. Significant Changes.....	55

Item 9.	The Offer and Listing.....	55
	A. Offer and Listing Details.....	55
	B. Plan of Distribution.....	57
	C. Markets.....	58
	D. Selling Shareholders.....	58
	E. Dilution.....	58
	F. Expense of the Issue.....	58
Item 10.	Additional Information.....	58
	A. Share Capital.....	58
	B. Memorandum and Articles of Incorporation.....	58
	C. Material Contracts.....	62
	D. Exchange Controls.....	62
	E. Taxation.....	62
	F. Dividends and Paying Agents.....	67
	G. Statement by Experts.....	67
	H. Documents on Display.....	67
	I. Subsidiary Information.....	68
Item 11.	Quantitative and Qualitative Disclosures about Market Risk.....	68
Item 12.	Description of Securities Other than Equity Securities.....	69
PART II.....		70
Item 13.	Defaults, Dividend Arrearages and Delinquencies.....	70
Item 14.	Material Modifications to the Rights of Security Holders and Use of Proceeds.....	70
Item 15.	[RESERVED].....	70
Item 16.	[RESERVED].....	70
PART III.....		71
Item 17.	Financial Statements.....	71
Item 18.	Financial Statements.....	71
Item 19.	Exhibits.....	71

## PART I

IN THIS ANNUAL REPORT, "CELESTICA," THE "COMPANY," "WE," "US" AND "OUR" REFER TO CELESTICA INC. AND ITS SUBSIDIARIES.

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

IN THIS ANNUAL REPORT, ALL DOLLAR AMOUNTS ARE EXPRESSED IN UNITED STATES DOLLARS, EXCEPT WHERE WE STATE OTHERWISE. UNLESS WE STATE OTHERWISE, ALL REFERENCES TO "U.S.\$" OR "\$" ARE TO U.S. DOLLARS AND ALL REFERENCES TO "C\$" ARE TO CANADIAN DOLLARS. UNLESS WE INDICATE OTHERWISE, ANY REFERENCE IN THIS ANNUAL REPORT TO A CONVERSION BETWEEN U.S.\$ AND C\$ OR BETWEEN U.S.\$ AND L IS GIVEN AS OF MARCH 1, 2002. AT THAT DATE, THE NOON BUYING RATE IN NEW YORK CITY FOR CABLE TRANSFERS IN CANADIAN DOLLARS WAS U.S.\$1.00=C\$1.5955, AS CERTIFIED FOR CUSTOMS PURPOSES BY THE FEDERAL RESERVE BANK OF NEW YORK.

UNLESS WE INDICATE OTHERWISE, ALL INFORMATION IN THIS ANNUAL REPORT IS STATED AS OF MARCH 1, 2002.

#### 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 Securities Act, and section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, including (without limitation) statements concerning possible or assumed future results of operations of Celestica preceded by, followed by or that include the words "believes," "expects," "anticipates," "estimates," "intends," "plans" or similar expressions. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the U.S. Private Securities Litigation Reform Act of 1995.

Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions. You should understand that the following important factors, in addition to those discussed in Item 3, "Key Information -- Risk Factors," and elsewhere in this Annual Report, could affect our future results and could cause those results to differ materially from those expressed in such forward-looking statements: the level of overall growth in the electronics manufacturing services industry; lower-than-expected customer demand; component constraints; variability of our operating results among periods; our dependence on the computer and communications industries; our dependence on a limited number of customers; and our ability to manage expansion, consolidation and the integration of acquired businesses.

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

#### ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

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.

#### 1

The Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles, or GAAP. These principles conform in all material respects with U.S. GAAP except as described in Note 22 to the Consolidated Financial Statements. For all the years presented, the selected financial data is prepared in accordance with Canadian GAAP. The differences between the line items under Canadian GAAP and those as determined under U.S. GAAP are not significant except that, under U.S. GAAP:

- our net loss for the year ended December 31, 1998 would be \$6.2 million greater due to non-cash charges for compensation expense and the loss on extinguishment of debt amounting to \$14.3 million, net of income tax,

would be treated as an extraordinary loss;

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

YEAR ENDED DECEMBER 31,					
1997(1)	1998(1)	1999(1)	2000(1)	2001(1)	
(in millions, except per share amounts)					
CONSOLIDATED STATEMENTS OF EARNINGS (LOSS) DATA:					
Revenue.....	\$2,006.6	\$3,249.2	\$5,297.2	\$9,752.1	\$10,004.4
Cost of sales.....	1,866.9	3,018.7	4,914.7	9,064.1	9,291.9
Gross profit.....	139.7	230.5	382.5	688.0	712.5
Selling, general and administrative expenses.....	68.3	130.5	202.2	326.1	341.4
Amortization of intangible assets(2).....	15.3	45.4	55.6	88.9	125.0
Integration costs related to acquisitions(3).....	13.3	8.1	9.6	16.1	22.8
Other charges(4).....	13.9	64.7	--	--	273.1
Operating income (loss).....	28.9	(18.2)	115.1	256.9	(49.8)
Interest expense (income), net(5).....	33.6	32.3	10.7	(19.0)	(7.9)
Earnings (loss) before income taxes.....	(4.7)	(50.5)	104.4	275.9	(41.9)
Income taxes.....	2.2	(2.0)	36.0	69.2	(2.1)
Net earnings (loss).....	\$ (6.9)	\$ (48.5)	\$ 68.4	\$ 206.7	\$ (39.8)
Basic earnings (loss) per share(6).....	\$ (0.10)	\$ (0.47)	\$ 0.41	\$ 1.01	\$ (0.26)
Diluted earnings (loss) per share(6).....	\$ (0.10)	\$ (0.47)	\$ 0.40	\$ 0.98	\$ (0.26)
OTHER DATA:					
Capital expenditures.....	\$ 32.1	\$ 65.8	\$ 211.8	\$ 282.8	\$ 199.3

2

AS AT DECEMBER 31,					
1997	1998	1999	2000	2001	
(in millions)					
CONSOLIDATED BALANCE SHEET DATA:					
Cash and short-term investments.....	\$ 106.1	\$ 31.7	\$ 371.5	\$ 883.8	\$1,342.8
Working capital.....	\$ 363.3	\$ 356.2	\$1,000.2	\$2,262.6	\$2,339.8
Capital assets.....	\$ 124.2	\$ 214.9	\$ 365.4	\$ 633.4	\$ 915.1
Total assets.....	\$1,347.3	\$1,636.4	\$2,655.6	\$5,938.0	\$6,632.9
Total long-term debt, including current portion.....	\$ 518.9	\$ 135.8	\$ 134.2	\$ 132.0	\$ 147.4
Shareholders' equity.....	\$ 363.2	\$ 859.3	\$1,658.1	\$3,469.3	\$4,745.6

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

1997, 1998, 1999, 2000 and 2001 include the results of operations of

Design-to-Distribution Limited acquired effective January 1997, the assets acquired from Hewlett-Packard Company in Colorado and New England in July, August and October 1997 and Ascent Power Technologies Inc. acquired in October 1997;

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

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

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

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

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

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

Effective July 1, 2001 and for the remainder of the fiscal year, goodwill acquired in business combinations completed after June 30, 2001 was not amortized.

- (3) These costs include costs to implement new information systems and processes, including salary and other costs directly related to the integration activities in newly acquired facilities.
- (4) In 1997, other charges include a \$13.9 million (\$8.7 million after income taxes) credit loss relating to a customer which filed for bankruptcy.

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

In 2001, other charges totaled \$273.1 million (\$226.4 million after income taxes) and include (a) a \$237.0 million restructuring charge, comprised of employee termination costs of \$90.7 million, termination of lease and other contractual obligations of \$35.3 million, facility exit and other costs of \$12.4 million and non-cash asset impairment of \$98.6 million and (b) a

non-cash charge of \$36.1 million relating to the write-down of the carrying value of certain assets, primarily goodwill and intangible assets.

- (5) Interest expense (income) is comprised of interest expense incurred on indebtedness less interest income earned on cash and short-term investments.
- (6) We adopted retroactively the new CICA Handbook Section 3500 "Earnings per share" which requires the retroactive use of the treasury stock method for calculating diluted earnings per share. This change results in an earnings per share calculation which is consistent with U.S. GAAP.

3

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

	YEAR ENDED DECEMBER 31,				
	1997	1998	1999	2000	2001
	(in millions)				
Basic.....	69.6	103.0	167.2	199.8	213.9
Diluted.....	69.6	103.0	171.2	211.8	213.9

#### EXCHANGE RATE INFORMATION

The rate of exchange as of March 1, 2002 for the conversion of Canadian dollars into United States dollars was U.S. \$0.6268. The following table sets forth the exchange rates for the conversion of U.S.\$1.00 into C\$1.00 at the end of the following fiscal periods and the average exchange rates (based upon the average of the exchange rates on the last day of each month during the periods). The rates of exchange set forth herein are shown as, or are derived from, the reciprocals of the noon buying rates in New York City for cable transfers payable in Canadian dollars, as certified for customs purposes by the Federal Reserve Bank of New York. The source of this data is the Federal Reserve Statistical Releases.

	2001	2000	1999	1998	1997
	-----	-----	-----	-----	-----
Average (1) .....	1.5487	1.4855	1.4858	1.4836	1.3849

	FEBRUARY 2002	JANUARY 2002	DECEMBER 2001	NOVEMBER 2001	OCTOBER 2001	SEPTEMBER 2001
	-----	-----	-----	-----	-----	-----
High.....	1.6110	1.6132	1.5956	1.6021	1.5867	1.5793
Low.....	1.5885	1.5897	1.5633	1.5718	1.5579	1.5528

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

The rate of exchange as of March 1, 2002 for the conversion of United States dollars into Canadian dollars was 1.5955 (U.S.\$1 = C\$1.5955).

#### B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

#### C. REASONS FOR OFFER AND USE OF PROCEEDS

Not applicable.

#### D. RISK FACTORS

SHAREHOLDERS AND PROSPECTIVE INVESTORS IN CELESTICA SHOULD CAREFULLY

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

#### OUR OPERATING RESULTS FLUCTUATE

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

- The volume of orders received relative to our manufacturing capacity;
- Fluctuations in material costs and the mix in material costs versus labor and manufacturing overhead costs; and
- Variations in the level and timing of orders placed by a customer due to the customer's attempts to balance its inventory, changes in the customer's manufacturing strategy and variation in demand for the

4

customer's products. These changes can result from life cycles of customer products, competitive conditions and general economic conditions.

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

- The level of price competition;
- Our past experience in manufacturing a particular product;
- The degree of automation we use in the assembly process;
- Whether we are managing our inventories and fixed assets efficiently;
- The timing of our expenditures in anticipation of increased sales;
- Customer product delivery requirements and shortages of components or labor; and
- The timing of, and the price we pay for, our acquisitions and related integration costs.

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

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

Historically, our fourth quarter revenue has been highest and our first quarter revenue has been lowest. Prospective investors should not rely on results of operations in any past period to indicate what our results will be for any future period.

#### WE HAVE HAD RECENT OPERATING LOSSES

We generated net earnings in each of the years from 1993 through 1996 and in 1999 and 2000. We recorded net losses of \$6.9 million in 1997, \$48.5 million in 1998 and \$39.8 million in 2001. In 1997, we incurred \$13.3 million of integration costs related to acquisitions and a \$13.9 million credit loss, with



these charges totaling \$27.2 million (\$17.0 million after income taxes). In 1998, we incurred \$8.1 million of integration costs related to acquisitions, a \$41.8 million write-down of intellectual property and goodwill, a write-off of deferred financing fees and debt redemption fees of \$17.8 million and \$5.1 million of charges related to the acquisition of International Manufacturing Services, Inc., or IMS, with these charges totaling \$72.8 million (\$56.5 million after income taxes). In 2001, we incurred \$22.8 million of integration costs related to acquisitions, \$237.0 million of restructuring charges and a \$36.1 million write-down of certain assets, primarily goodwill and intangible assets, with these charges totaling \$295.9 million (\$245.2 million after income taxes). We may not be profitable in future periods. Furthermore, if business conditions were to unexpectedly weaken significantly from current levels, we may have to undertake further restructuring activities, thereby further reducing profitability in future periods.

#### WE ARE EXPOSED TO CHANGES IN GENERAL ECONOMIC CONDITIONS

As a result of unfavorable general economic conditions and reduced demand for technology capital goods, our sales have been particularly volatile in recent quarters. Specifically, since the first fiscal quarter of 2001, we have seen declines in the demand for products in the end-markets that we serve. If global economic conditions in the markets we serve do not improve, we may experience a material adverse impact on our business, operating results and financial condition.

#### 5

#### OUR RESULTS ARE AFFECTED BY LIMITED AVAILABILITY OF COMPONENTS

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

#### WE DEPEND ON CERTAIN INDUSTRIES

Our financial performance depends on our customers' continued growth, viability, financial stability and the cyclical nature of end-markets. Our customers, in turn, substantially depend on the growth of the computer and communications industries. These industries are characterized by rapidly changing technologies and short product life cycles. Recently these industries have experienced revenue erosion, pricing and margin pressures, and increased difficulty in attracting capital. These factors affecting the computer and communications industries in general, and the impact these factors might have from time to time on our customers in particular, could continue to have a material adverse effect on our business.

#### WE FACE CUSTOMER CREDIT RISK

We generate significant accounts receivable and inventory balances in connection with providing manufacturing services to our customers. We may encounter significant delays or defaults in payments owed to us by customers for whom we have manufactured products.

#### WE DEPEND ON A LIMITED NUMBER OF CUSTOMERS

Our three largest customers in 2001 were IBM, Sun Microsystems Inc. and Lucent Technologies, which each represented more than 10% of our total 2001 revenue and collectively represented 55% of our total 2001 revenue. Our next five largest customers collectively represented 24% of our total revenue in 2001. IBM and Sun Microsystems Inc., our two largest customers in 2000, each represented more than 10% of our total 2000 revenue and collectively represented 46% of our total 2000 revenue. Our next five largest customers represented 32% of total 2000 revenue. We expect to continue to depend upon a relatively small number of customers for a significant percentage of our revenue.

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

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

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

6

for the customer orders. Order cancellations and delays could also lower asset utilization, resulting in lower gross margins.

#### WE FACE RISKS DUE TO EXPANSION OR RESTRUCTURING OF OUR OPERATIONS

New operations, whether foreign or domestic, can require significant start-up costs and capital expenditures. As we continue to expand our domestic and international operations, we may not be able to successfully generate revenue necessary to recover start-up and operating costs. The successful operation of an acquired business requires effective communication and cooperation between us and our new employees, including cooperation in product development and marketing. This cooperation may not occur or a disruption in one or more sectors of our business may result. In addition, we may not be able to retain key technical, management, sales and other personnel of an acquired business for any significant length of time, and we may not realize any of the other anticipated benefits of an acquisition. Furthermore, additional acquisitions would require investment of financial resources and may require debt financing or dilutive equity financing. We may not consummate any acquisitions in the future. If we do, any debt or equity financing required for any acquisition may not be available on terms acceptable to us.

We have undertaken numerous initiatives to restructure and reduce our capacity in response to the recent downturn in demand, with the intention of realizing significant cost savings in the future. The process of restructuring entails, among other activities, moving product production between facilities, reducing staff levels, realigning our business processes and reorganizing our management. Any failure to successfully execute the aforementioned activities can have a material adverse impact on our results. If, in the future, our customer demand falls, or we are required to reduce prices, at a rate exceeding the rate at which we are able to reduce our costs, this could have a material adverse impact on our operating results.

#### WE FACE ADDITIONAL RISKS DUE TO OUR INTERNATIONAL OPERATIONS

During 2001, over 35% of our revenue was derived from locations outside of North America. In addition, we purchased material from international suppliers for much of our business, including our North American business. We believe that our future growth depends in large part on our ability to increase our business in international markets. We will continue to expand our operations outside of North America. This expansion will require significant management attention and financial resources. To increase international sales in subsequent periods, we must establish additional foreign operations, hire additional personnel and establish additional international facilities. We may not expand or even maintain our international sales. If the revenue we generate from foreign activities is inadequate to offset the expense of maintaining foreign offices

and activities, our profitability will be adversely affected. International operations are subject to inherent risks, which may adversely affect us, including:

- Labor unrest;
- Unexpected changes in regulatory requirements;
- Tariffs, import and export duties, value-added taxes and other barriers;
- Less favorable intellectual property laws;
- Difficulties in staffing and managing foreign sales and support operations;
- Longer accounts receivable payment cycles and difficulties in collecting payments;
- Changes in local tax rates and other potentially adverse tax consequences, including the cost of repatriation of earnings;
- Lack of acceptance of localized products in foreign countries;
- Burdens of complying with a wide variety of foreign laws, including changing import and export regulations which could erode our profit margins or restrict exports;
- Adverse changes in Canadian and U.S. trade policies with the other countries in which we maintain operations;
- Political instability;

7

- Potential restriction on the transfer of funds; and
- Inflexible employee contracts that restrict our flexibility in responding to events of business downturns.

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

#### WE FACE FINANCIAL RISKS DUE TO FOREIGN CURRENCY FLUCTUATIONS

The principal currencies in which we conduct our operations are U.S. dollars, Canadian dollars, Mexican pesos, British pounds sterling, Euros, Brazilian real and the Thai baht. We may sometimes enter into hedging transactions to minimize our exposure to foreign currency and interest rate risks. Our current hedging activity is designed to reduce the variability of our foreign currency costs and consists of contracts to purchase or sell these foreign currencies at future dates. In general, these contracts extend for periods of less than 18 months. Our hedging transactions may not successfully minimize foreign currency risk.

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

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

WE DEPEND ON HIGHLY SKILLED PERSONNEL

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

WE ARE IN A HIGHLY COMPETITIVE INDUSTRY

We are in a highly competitive industry. We compete against numerous domestic and foreign companies. Three of our competitors, Flextronics International, Sanmina-SCI Corporation and Solecron Corporation, each have annual revenues in excess of \$10.0 billion. We also face indirect competition from the manufacturing operations of our current and prospective customers, which continually evaluate the merits of manufacturing products internally rather than using EMS providers. Some of our competitors have more geographically diversified international operations, as well as substantially greater manufacturing, financial, procurement, research and development and marketing resources than we have. These competitors may create alliances and rapidly acquire significant market share. Accordingly, our current or potential competitors may develop or acquire services comparable or superior to those we develop, combine or merge to form significant competitors,

8

or adapt more quickly than we will to new technologies, evolving industry trends and changing customer requirements. Competition could cause price reductions, reduced profits or losses or loss of market share, any of which could materially and adversely affect us. We may not be able to compete successfully against current and future competitors and the competitive pressures that we face may materially adversely affect us.

WE DEPEND ON THE CONTINUING TREND OF OUTSOURCING BY OEMS

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

WE MAY BE UNABLE TO KEEP PACE WITH PROCESS AND TEST DEVELOPMENT CHANGE

We continue to evaluate the advantages and feasibility of new manufacturing processes. Our future success will depend in part upon our ability to develop and to market manufacturing services which meet changing customer needs, to maintain technological leadership and to successfully anticipate or respond to technological changes in manufacturing processes in cost-effective and timely ways. Our process and test development efforts may not be successful.

OUR CUSTOMERS MAY BE ADVERSELY AFFECTED BY RAPID TECHNOLOGICAL CHANGE

Our customers compete in markets that are characterized by rapidly changing technology, evolving industry standards and continuous improvements in products and services. These conditions frequently result in short product life cycles. Our success will depend largely on the success achieved by our customers in developing and marketing their products. If technologies or standards supported by our customers' products become obsolete or fail to gain widespread commercial acceptance, our business could be materially adversely affected.

WE MAY BE UNABLE TO PROTECT OUR INTELLECTUAL PROPERTY

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

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

#### WE ARE SUBJECT TO THE RISK OF INCREASED INCOME TAXES

Our business operations are carried on in a number of countries, including countries where:

- tax incentives have been extended to encourage foreign investment; or
- income tax rates are low.

We develop our tax position based upon the anticipated nature and conduct of our business and our understanding of the tax laws of the various countries in which we have assets or conduct activities. However, our tax position is subject to review and possible challenge by taxing authorities and to possible changes in law, which may have retroactive effect. We cannot determine in advance the extent to which some jurisdictions may require us to pay taxes or make payments in lieu of taxes.

#### OUR COMPLIANCE WITH ENVIRONMENTAL LAWS COULD BE COSTLY

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

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

Except for facilities we acquired in the Omni transaction, we obtained Phase I or similar environmental assessments, or reviewed recent assessments initiated by others, for most of the manufacturing facilities that we own or lease at the time we either acquired or leased such facilities. Typically, these assessments include general inspections without soil sampling or groundwater analysis. Where contamination is suspected, usually Phase II intrusive environmental assessments (including soil and/or groundwater testing) are

performed. The assessments have not revealed any environmental liability that, based on current information, we believe will have a material adverse effect on us, in part because of the contractual retention of liability for some contamination and its remediation by landlords and former owners. Our assessments may not reveal all environmental liabilities and current assessments are not available for all facilities. Consequently, there may be material environmental liabilities we are not aware of. In addition, ongoing clean up and containment operations may not be adequate for purposes of future laws. The conditions of our properties could be affected in the future by the conditions of the land or operations in the vicinity of the properties (such as the presence of underground storage tanks). These developments and others (such as increasingly stringent environmental laws, increasingly strict enforcement of environmental laws by governmental authorities, or claims for damage to property or injury to persons resulting from the environmental, health or safety impact of our operations) may cause us to incur significant costs and liabilities that could have a material adverse effect on us.

#### OUR LOAN AGREEMENTS CONTAIN RESTRICTIVE COVENANTS

Certain of our outstanding loan agreements contain financial and operating covenants that limit our management's discretion with respect to certain business matters. Among other things, these covenants restrict our ability and our subsidiaries' ability to incur additional debt, create liens or other encumbrances, make certain payments (including dividends) and investments, sell or otherwise dispose of assets and merge or consolidate with other entities.

#### POTENTIAL ADVERSE EFFECT OF SHARES ELIGIBLE FOR FUTURE SALE

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

As of March 1, 2002, we had 190,826,868 subordinate voting shares and 39,065,950 multiple voting shares outstanding. All of the subordinate voting shares are freely transferable without restriction or further

10

registration under the U.S. Securities Act, except for shares held by our affiliates (as defined in the U.S. Securities Act). Shares held by our affiliates include all of the multiple voting shares and 3,976,236 subordinate voting shares held by Onex. An affiliate may not sell shares in the United States unless the sale is registered under the U.S. Securities Act or an exemption from registration is available. Rule 144 adopted under the U.S. Securities Act permits our affiliates to sell shares in the United States subject to volume limitations and requirements relating to manner of sale, notice of sale and availability of current public information with respect to Celestica.

In addition, as of March 1, 2002, there were approximately 28,620,000 subordinate voting shares reserved for issuance under our employee share purchase and option plans and for director compensation, including outstanding options to purchase approximately 23,756,000 shares. The sale of such shares could adversely affect the market price of the subordinate voting shares.

#### OUR COMPANY IS CONTROLLED BY ONEX CORPORATION

Onex owns, directly or indirectly, all of the multiple voting shares and less than 1% of the outstanding subordinate voting shares. The number of shares owned by Onex, together with those shares Onex has the right to vote, represent 84.0% of the voting interest in Celestica and approximately 2% of the outstanding subordinate voting shares. Accordingly, Onex exercises a controlling influence over our business and affairs and has the power to determine all matters submitted to a vote of our shareholders where our shares vote together as a single class. Onex has the power to elect our directors and to approve significant corporate transactions such as certain amendments to our articles of incorporation, mergers, amalgamations, plans of arrangement and the sale of all or substantially all of our assets. Onex'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 facilities, if Onex ceases to control Celestica our lenders could demand repayment. Gerald W. Schwartz, the Chairman, President and Chief Executive Officer of Onex and one of our directors, owns shares with a majority of the voting rights of the shares of Onex. Mr. Schwartz, therefore, effectively controls our affairs. For

additional information about our principal shareholders, please turn to Item 7(A), "Major Shareholders."

In private placements outside of the United States, certain subsidiaries of Onex have offered exchangeable debentures due 2025 that are exchangeable and redeemable under certain circumstances during their 25-year term for 9,214,320 subordinate voting shares. In addition, 1,757,467 subordinate voting shares may be delivered, at the option of Onex or certain persons related to Onex, to satisfy the obligations of such persons under equity forward agreements. If the issuers of the exchangeable debentures elect or the party to the equity forward agreements elects to deliver solely subordinate voting shares and no cash upon the exchange or redemption, or at maturity or acceleration, of the debentures or the settlement of the equity forward agreement, as the case may be, the number of shares owned by Onex, together with those shares Onex has the right to vote, would, if such delivery had occurred on March 1, 2002, represent in the aggregate 78% of the voting interest in our company.

#### POTENTIAL VOLATILITY OF SHARE PRICE

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

- Quarterly variations in our operations and financial results;
- Announcements by us or our competitors of technological innovations, new products, new contracts or acquisitions;
- Changes in our prices or the prices of our competitors' products and services;
- Changes in our product mix;
- Changes in our growth rate as a whole or for a particular portion of our business;
- General conditions in the EMS industry; and
- Systemic fluctuations in the stock markets.

11

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

#### POTENTIAL UNENFORCEABILITY OF CIVIL LIABILITIES AND JUDGMENTS

We are incorporated under the laws of the Province of Ontario, Canada. Most of our directors, controlling persons and officers and certain of the experts named in this Annual Report are residents of Canada. Also, a substantial portion of our assets and the assets of these persons are located outside of the United States. As a result, it may be difficult for shareholders to initiate a lawsuit within the United States against these non-U.S. residents, or to enforce judgments in the United States against us or these persons which are obtained in a U.S. court. It may also be difficult for shareholders to enforce a U.S. judgment in Canada or to succeed in a lawsuit in Canada based only on U.S. securities laws.

#### ITEM 4. INFORMATION ON THE COMPANY

##### A. HISTORY AND DEVELOPMENT OF THE COMPANY

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

We are a leading provider of electronics manufacturing services to OEMs worldwide, with revenue for the year ended December 31, 2001 in excess of \$10.0 billion. We provide a wide variety of products and services to our customers, including the high-volume manufacture of complex PCAs and the full system assembly of final products. In addition, we are a leading-edge provider of design, repair and engineering services, supply chain management and power products. We operate facilities in North America, Europe, Asia and Latin America.

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

#### OUR ACQUISITIONS

In 2001, we completed the following acquisitions, significantly enhancing our geographic reach, expanding our customer base of leading OEMs and broadening our service offering capabilities:

- Excel Electronics, Inc. enhanced our prototype service offering in the southern United States;
- certain manufacturing assets of Motorola Inc. in Mt. Pleasant, Iowa and Dublin, Ireland expanded our business relationship with Motorola;
- certain assets relating to a repair business of N.K. Techno Co. Ltd. expanded our presence in Japan;
- certain assets from Avaya Inc. in Little Rock, Arkansas, Denver, Colorado and Saumur, France positioned us as Avaya's primary outsourcing partner in the area of printed circuit board systems assembly, test, repair and supply chain management for a broad range of their telecommunications products;
- Sagem CR s.r.o. in the Czech Republic enhanced our presence in central Europe and positioned us as Sagem's primary EMS provider;
- Primetech Electronics Inc. provided us with additional high complexity manufacturing capability and an expanded global customer base;

12

- certain assets from Lucent Technologies Inc. in Columbus, Ohio and Oklahoma City, Oklahoma positioned us as the leading EMS provider for Lucent's North American switching, access and wireless networking systems products; and
- Omni Industries Limited significantly enhanced our EMS presence in Asia.

In 2001, we also established a greenfield operation in Singapore. We continue to seek strategic acquisitions and greenfield opportunities.

A listing of our acquisitions since 1997 is included in note (1) to the Selected Financial Data table, see Item 3, "Key Information -- Selected Financial Data."

Certain information concerning capital expenditures is set forth in Notes 3 and 20 to the Consolidated Financial Statements in Item 18.

#### B. BUSINESS OVERVIEW

Our goal is to be the "partner of choice" in EMS. We believe we are uniquely positioned to achieve this goal given our position as one of the major EMS providers worldwide and our widely recognized skills in our core areas of competency. The Company's strategy is to (i) maintain our leadership position in the areas of technology, quality and supply chain management, (ii) develop profitable, strategic relationships with industry leaders, (iii) continually expand the range of the services we provide to OEMs, (iv) diversify our customer base, serving a wide variety of end-markets, (v) selectively pursue strategic acquisitions, and (vi) steadily improve our operating margins. We believe that the successful implementation of this strategy will allow us to achieve superior financial performance and enhance shareholder value.



We have operations in the United States, Canada, Mexico, United Kingdom, Ireland, Italy, Thailand, China, Hong Kong, Czech Republic, Brazil, Singapore, Malaysia and Japan. We provide a wide variety of products and services to our customers, including the manufacture, assembly and test of complex printed circuit assemblies, or PCAs, and the full system assembly of final products. In addition, we provide a broad range of EMS services from product design to worldwide distribution and after-sales support.

Celestica targets industry leading OEMs primarily in the computer and communications sectors. Celestica supplies products and services to over 75 OEMs, including such industry leaders as Avaya Inc., Cisco Systems Inc., Dell Computer Corporation, EMC Corporation, Fujitsu, Hewlett-Packard Company, International Business Machines Corporation, Lucent Technologies Inc., Motorola Inc., NEC Corporation and Sun Microsystems Inc. In the aggregate, our top ten customers represented 84% of revenue in 2001. The products we manufacture can be found in a wide array of end-products, including: cell phones and pagers, hubs and switches, LAN and WAN networking cards, laser printers, mainframe computers, mass storage devices, medical products, modems, multimedia peripherals, PBX switches, personal computers, PDAs, photonic devices, routers, scalable processors, servers, switching products, token ring products, video broadcasting equipment, wireless base stations, wireless loop systems and workstations.

Our principal competitive advantages are our advanced capabilities and leadership in the areas of technology, quality and supply chain management. We are an industry leader in a wide range of advanced manufacturing technologies, using established and emerging process technologies. Our state-of-the-art manufacturing facilities are organized as customer focused factories, which have dedicated manufacturing lines and customer teams. This approach enhances customer satisfaction and manufacturing flexibility. We believe our test capabilities are among the best in the industry and enable us to produce highly reliable products, including products that are critical to the functioning of our customers' products and systems. Our size, geographic reach and leading expertise in supply chain management allow us to purchase materials effectively and to deliver products to customers faster, thereby reducing overall product costs and reducing the time to market.

We believe that our highly skilled workforce gives us a distinct competitive advantage. Through innovative compensation and broad-based employee stock ownership, we have developed a unique entrepreneurial, participative and team-based culture. We employ over 2,800 engineers.

13

## ELECTRONICS MANUFACTURING SERVICES INDUSTRY

### OVERVIEW

The EMS industry is comprised of companies that provide a range of manufacturing services to OEMs. The industry (i) has experienced rapid growth in the past and has potential for strong growth in the future as the market for technology, as a whole, grows, (ii) is highly fragmented and (iii) is poised for continuing consolidation due to the advantages of scale and geographic diversity. In 2001, four EMS providers -- Celestica, Sanmina-SCI Corporation, Flextronics International and Sollectron Corporation -- achieved total revenue in excess of \$10.0 billion.

We see numerous industry vectors that are fueling continued growth in the EMS industry. These include the growing trend of information technology and communications companies in North America to outsource their electronics manufacturing and to divest their manufacturing assets, OEMs in Europe and Japan increasingly executing an electronics outsourcing strategy, and OEMs increasingly looking to the EMS industry to provide full-system solutions including system build and distribution.

We believe that, as the trend to outsourcing continues, OEMs will increasingly outsource more complex products and services. This trend will favor larger EMS providers that have clear advantages of scale, geographic diversity, technology and quality, and is expected to lead to a sustained period of consolidation in the EMS industry.

The EMS industry is highly diverse, with providers serving OEMs in a broad range of industry segments. The computer and communications sectors are the largest industry opportunities for EMS companies primarily due to rapidly changing product technologies and shortening product life cycles. These industry

dynamics have caused many computer and communications OEMs to outsource design, assembly, test and worldwide distribution functions to their EMS partners.

#### EVOLUTION OF THE EMS INDUSTRY

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

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

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

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

**DECREASE TIME TO MARKET.** Electronics products are experiencing increasingly shorter product life cycles, requiring OEMs to continually reduce the time required to bring products to market. OEMs can significantly improve product development cycles and enhance time to market by benefitting from the expertise and

14

infrastructure of EMS providers. This includes capabilities relating to design, quick-turn prototype development and rapid ramp-up of new products to high volume production, with the critical support of worldwide supply chain management.

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

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

**ACCESS LEADING MANUFACTURING TECHNOLOGIES.** Electronics products and electronics manufacturing technology have become increasingly sophisticated and complex, making it difficult for many OEMs to maintain the necessary technological expertise and focus required to efficiently manufacture products internally. By working closely with EMS providers, OEMs gain access to high quality manufacturing expertise and capabilities in the areas of advanced process, interconnect and test technologies.

UTILIZE EMS COMPANIES' PROCUREMENT, INVENTORY MANAGEMENT AND LOGISTICS EXPERTISE. OEMs who manufacture internally are faced with greater complexities in planning, procurement and inventory management due to frequent design changes, short product life cycles and product demand fluctuations. OEMs can address these complexities by outsourcing to EMS providers which (i) possess sophisticated supply chain management capabilities, and (ii) can leverage significant component procurement advantages to lower product costs.

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

#### KEY SUCCESS FACTORS

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

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

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

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

15

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

GLOBAL PRESENCE. EMS companies with global plant networks can simplify and shorten an OEM's supply chain and significantly reduce the time it takes to bring products to market. Additionally, EMS providers are locating in lower-cost regions such as Mexico, Asia and Central Europe in order to complement their offerings by providing lower cost manufacturing solutions to their OEM customers for certain price-sensitive applications. As a result of these trends, many large OEMs are beginning to work with a smaller number of EMS providers that, as worldwide suppliers, can meet their needs in multiple geographic markets.

#### MARKET CONSOLIDATION

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

The EMS industry has experienced an increase in large-scale acquisition activity in recent years, primarily through the sale of facilities and manufacturing operations from OEMs to larger EMS providers. OEMs have tended to award these opportunities to larger EMS providers that possess the capital, management expertise and advanced systems required to integrate the acquired business effectively as the acquiror in most cases becomes an important supplier to the OEM post-acquisition. For the EMS provider, these acquisitions have been driven by the need for additional capacity or capability, a desire to enter new geographic or product markets and services, or a desire to establish or further develop a customer relationship with a particular OEM.

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

#### CELESTICA'S STRATEGY

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

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

**DEVELOP AND ENHANCE RELATIONSHIPS WITH LEADING OEMS.** Celestica seeks profitable, strategic relationships with industry leaders in the computer and communications sectors. To this end, we pursue opportunities which

16

exploit our competitive advantages in the areas of technology, quality and supply chain management. This strategy has allowed us to establish strong manufacturing relationships with OEMs such as Avaya, Cisco Systems, Dell, EMC, Fujitsu-ICL, Hewlett-Packard, IBM, Lucent Technologies, Motorola, NEC, Nortel Networks and Sun Microsystems. We are committed to further diversification of our customer base and expanding our global presence as required by our customers.

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

**DIVERSIFY END-MARKETS.** Celestica has a diversified customer base whose products serve the communications, server, storage and other, workstation and personal computer industries. In 2001, revenue by end-market users was as follows: communications -- 36%; servers -- 31%; storage and other -- 18%; and

workstations and personal computer -- 15%. Celestica's strategy is to mitigate risk by increasing diversification across end-markets.

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

**INCREASE OPERATING EFFICIENCY.** In the past, we have improved our operating margins each year since 1998. Despite a difficult market environment in 2001, we were able to maintain our operating margins at the same level as 2000. These margins are measured by Celestica as (i) net earnings before interest, income taxes, amortization of intangible assets, integration costs related to acquisitions and other charges, divided by (ii) revenue. Management is committed to applying our proven strategies and processes to enhance margins in our newly acquired operations around the world. Additionally, we are executing our plan to improve overall financial margins by (i) optimizing the allocation of production within our worldwide network of facilities based on cost and technological complexities, (ii) leveraging corporate procurement capabilities to lower materials costs, (iii) increasing utilization of recently acquired facilities to take advantage of significant operating leverage, (iv) deploying corporate cost reduction and productivity enhancement initiatives on a global basis, (v) consistently applying best practices among our operations worldwide, and (vi) compensating our employees based in part on the achievement of earnings targets. In addition, we will continue our intensive focus on maximizing asset turnover which, combined with the margin enhancements described above, we believe will increase our return on invested capital.

## CELESTICA'S BUSINESS

### EMS SERVICES

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

17

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

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

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

**PRODUCT ASSEMBLY AND TEST.** We use sophisticated technology in the assembly and testing of our products, and have continually made significant investments in developing new assembly and test process techniques and improving product

quality, reducing cost and improving delivery time to customers. Celestica works independently and with customers and suppliers to develop leading assembly and test technologies.

**FULL SYSTEM ASSEMBLY.** Celestica provides full system assembly services to OEMs. These services require sophisticated logistics capabilities to rapidly procure components, assemble products, perform complex testing and distribute products to customers around the world. Celestica's full system assembly services involve combining a wide range of sub-assemblies (including PCA) and employing advanced test techniques to various sub-assemblies and final-end products. Increasingly, OEMs require custom build-to-order system solutions with very short lead times. We are focused on exploiting this trend through our advanced supply chain management capabilities.

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

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

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

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

18

#### QUALITY MANAGEMENT

One of our strengths has been our ability to consistently deliver high quality services and products. Celestica has an extensive quality management system that focuses on continual process improvement and achieving high customer satisfaction. Celestica employs a variety of advanced statistical engineering techniques and other tools to assist in improving product and service quality. All of our principal facilities are ISO certified to ISO 9001 or ISO 9002 standards and our environmental management systems at our Toronto, Little Rock, Fort Collins, Denver, Foothill Ranch, Columbus, Oklahoma City, Chippewa Falls, Mt. Pleasant, United Kingdom, Ireland, France and Italian facilities and some of our Asian, Mexican and Czech facilities are also certified to the ISO 14001 (environmental) standards.

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

#### GEOGRAPHIES

In 2001, approximately 68% of Celestica's products were delivered to customers in North America. Celestica produces products in the United States, Canada, Mexico, United Kingdom, Ireland, Italy, Thailand, China, Hong Kong, Czech Republic, Brazil, Singapore, Malaysia and Japan. Facilities in the Americas, Europe and Asia generated approximately 62%, 29% and 9%, respectively, of Celestica's revenue in 2001. We are focused on expanding our worldwide resources and capability. Additionally, we believe that locating in lower cost

geographic regions such as Central Europe and South America complements our service offerings by providing lower cost manufacturing solutions to our OEM customers for certain price-sensitive applications.

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

#### SALES AND MARKETING

Sales and marketing at Celestica is an integrated process designed to provide a single "face" to the customer worldwide. Celestica's coordination of efforts with key global accounts has been enhanced by the creation of customer-focused units each headed by a general manager to oversee the entire relationship with such customers. We have a global network comprised of direct sales people, customer service representatives, project managers and global account executives, as well as our senior executives. Celestica's sales resources are directed at multiple management and staff levels within target accounts. We also use independent sales representatives in certain geographic areas. Sales offices are located in proximity to key OEMs.

Celestica has adopted a focused marketing approach targeted at creating profitable, strategic relationships with leading OEMs primarily in the computer and communication sectors. To this end, we are selective as to the nature and type of business we pursue in order to position ourselves as a value-added provider within the EMS industry.

#### CUSTOMERS

Celestica targets industry-leading customers primarily in the computer and communications sectors. Celestica supplies products and services to over 75 OEMs, including such industry leaders as Avaya, Cisco Systems, Dell, EMC, Fujitsu, Hewlett-Packard, IBM, Lucent Technologies, Motorola, NEC and Sun Microsystems. Celestica's electronics products can be found in a wide array of end-products, including: cell phones and pagers, hubs and switches, LAN and WAN networking cards, laser printers, mainframe computers, mass storage devices, medical products, modems, multimedia peripherals, PBX switches, personal computers, PDAs, photonic devices, routers, scalable processors, servers, switching products, token ring products, video broadcasting equipment, wireless base stations, wireless loop systems and workstations.

During 2001, Celestica's three largest customers, IBM, Sun Microsystems and Lucent Technologies, each represented in excess of 10% of total revenue and in the aggregate represented 55% of total revenue. During 2000, Celestica's two largest customers, IBM and Sun Microsystems, each represented in excess of 10% of total revenue and in the aggregate represented 46% of total revenue. Celestica's next five largest customers

19

represented approximately 24% of Celestica's total revenue in 2001 (compared with 32% for the next five largest customers in 2000).

We generally enter into supply arrangements in connection with our acquisition of facilities from OEMs. These arrangements generally govern the conduct of business between the parties relating to, among other things, the manufacture of products which were previously produced at that facility by the seller itself. Such arrangements, which in certain instances contain limited overhead contribution provisions or limited revenue or product volume guarantees, are for short-term periods (from one to three years). There can be no assurance that these arrangements will be renewed.

#### TECHNOLOGY AND RESEARCH AND DEVELOPMENT

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

Our customer-focused factories include predominantly SMT lines, which are highly flexible and are continually reconfigured to meet customer-specific product requirements. In addition to expertise in conventional SMT technology, Celestica has extensive capabilities across a broad range of specialized assembly process technologies, including chip on board, chip scale packaging, flip chip attach, tape automated bonding, wire bonding, multi-chip module, ball grid array, micro ball grid array, tape ball grid array and column grid array.

We also work with a wide range of substrate types from thin flexible printed circuit boards to highly complex, dense multilayer boards.

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

Our ongoing research and development activities include the development of processes and test technologies as well as some focused product development. Celestica is pro-active in developing manufacturing techniques which take advantage of the latest component and product designs and packaging. For example, NASA selected Celestica to work with engineers in our jet propulsion laboratory to evaluate the robustness, quality and reliability of chip scale size packaging for use on space vehicles. Furthermore, we often work with industry groups to advance the state of technology in the industry.

#### SUPPLY CHAIN MANAGEMENT

Celestica has strong relationships with a broad range of suppliers. We use electronic data interchange with our key suppliers and ensures speed of supply through the use of automated receiving and full-service distribution capabilities. Celestica procured and managed over \$8 billion in materials and related services. We view this size of procurement as an important competitive advantage as it enhances our ability to obtain better pricing, influence component packaging and design and obtain supply of components in constrained markets.

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

We employ a strategy of risk minimization relative to our inventory and generally order materials and components only to the extent necessary to satisfy existing customer orders. Celestica has implemented specific inventory management strategies with certain suppliers such as "line-side stocking" (pulling inventory at the production line on an as-needed basis) and "real-time component pricing" (the ability to obtain the advantage of the most recent price change in component pricing) designed to minimize the risk to us of cost fluctuations. In

20

providing contract manufacturing services to our customers, we are largely protected from the risk of fluctuations in inventory costs, as these costs are generally passed through to customers.

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

#### INTELLECTUAL PROPERTY

We hold licenses to various technologies which we acquired in connection with acquisitions from Fujitsu-ICL, Hewlett-Packard, IBM, Madge Networks and other companies. We believe that we have secured access to all required



technology that we are currently using in the conduct of our business.

Technology developed under IBM's ownership for use by us in our current business is licensed to us by IBM pursuant to a "know-how" license acquired in connection with the acquisition of Celestica, which allows us to employ this technology at no further cost. Also, as part of the acquisition, we entered into a patent license agreement with IBM to provide us with the use of IBM patents relevant to the operation of our business. The license fee generally is fixed for products manufactured in Canada and is payable over the initial term of the agreement. We are negotiating an extension to the original agreement which expired on December 31, 2001.

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

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

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

#### COMPETITION

The EMS industry is comprised of a large number of domestic and foreign companies, of which four companies, Celestica, Sanmina-SCI Corporation, Flextronics International and Solectron Corporation, each had annual revenue in excess of \$10.0 billion in 2001. We also face competition from current and prospective customers which evaluate our capabilities against the merits of manufacturing products internally. We compete with different companies depending on the type of service or geographic area. Certain of our competitors may have greater manufacturing, financial, research and development and marketing resources than we do. We believe that the primary basis of competition in our targeted markets is manufacturing technology, quality, responsiveness, the provision of value added services and price. To remain competitive, we believe we must continue to provide technologically advanced manufacturing services, maintain quality levels, offer flexible delivery schedules, deliver finished products on a reliable basis and compete favorably on the basis of price.

21

#### HUMAN RESOURCES

As of March 1, 2002, we employ over 40,000 permanent and temporary (contract) employees worldwide. A significant percentage of our permanent employees have post-secondary education and more than 2,800 are engineers. The only Celestica employees that are unionized are certain of our employees in the United Kingdom, Italy, Mexico, U.S. and Brazil. Given the variable nature of our project flow and the quick response time required by our customers, it is critical that we be able to quickly ramp-up and ramp-down our production to maximize efficiency. To achieve this, our strategy has been to employ a skilled temporary labor force, as required.

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

#### ENVIRONMENTAL MATTERS

Celestica is subject to extensive environmental, health and safety laws and regulations, including measures relating to the release, use, storage,

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

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

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

#### BACKLOG

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

22

#### SEASONALITY

Historically, Celestica has experienced some seasonal variation in revenue, with revenue typically being highest in the fourth quarter and lowest in the first quarter. See Item 5, "Operating and Financial Review and Prospects -- Management's Discussion and Analysis of Financial Condition and Results of Operations."

#### GLOSSARY

ASIC.....	"Application specific integrated circuit." A device which combines several functions into one silicon chip, allowing a reduction in space and power consumption.
Ball grid array.....	A silicon chip packaging technique that provides high interconnection density at a low cost, high thermal electrical performance, high reliability and high card assembly yields. This technology uses an array of solder balls to connect the silicon chip to the printed circuit board.
Chip on board.....	A generic term for the use of unpackaged or "bare" silicon that is attached to the surface of the printed circuit board. The "bare" silicon is often sealed with an epoxy to strengthen reliability. Chip on board allows for space

savings as well as faster signal processing speeds. Examples of chip on board are flip chip attach, tape automated bonding and wire bonded chips.

Consignment.....	An outsourcing method in which the outsourcing company provides most or all of the materials required for the products, and the EMS provider supplies only the manufacturing service.
EMS.....	Electronics manufacturing services.
Flip chip attach.....	A type of chip on board that involves attaching the "bare" silicon directly to the printed circuit board using solder.
Full system assembly.....	The assembly of a variety of PCAs and other subassemblies/components into a final product, such as a server, workstation or personal computer. Full system assembly typically includes the testing and distribution of the final product.
In-circuit test.....	One of the first electrical tests performed on completed PCAs, where small portions of the PCAs can be individually tested down to the silicon chip level.
In-situ dynamic thermal cycling stress testing.....	The electrical testing of PCAs while varying temperature, in an effort to uncover potential defects in assembly and electronics components.
Interconnect technology.....	The series of techniques used to electrically connect silicon chips, substrates and other electronics components together to create a functional product.
LAN.....	"Local area network." Multiple computers linked together to facilitate shared communications in a local or office environment.
Multi-chip module.....	A packaging technique that combines multiple silicon chips together into a single functional device.
OEM.....	Original equipment manufacturer.
PBX switch.....	"Private branch exchange switch." A switch used in a telephone system consisting of central office trunks, a switchboard and extension telephones which may be interconnected with the trunks or with each other through the switchboard and associated equipment. These switches are typically used within a single company, office or building.
PDAs.....	"Personal Digital Assistant." A small form factor portable computing device.

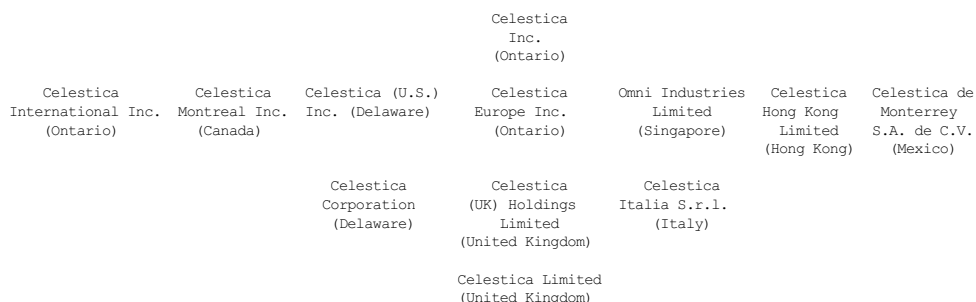
PCAs.....	"Printed circuit assemblies." Printed circuit boards which are populated with various electronics components to form functional products.
Photonic devices.....	Communications equipment used in an optical network utilizing fiber optic technology for the transmission of information.
Scalable processor.....	A processor system that allows for the combination of multiple microprocessors together to provide significantly higher processing power and speed.
Scanning electron microscope.....	A device providing magnification of a material's surface up to 40,000 times and allowing in-depth surface analysis.
SMT.....	"Surface mount technology." A manufactured technology for attaching electronics components directly onto the surface of printed circuit boards.
Substrate.....	Also referred to as a "printed circuit board" or "board." A substrate acts as a carrier to provide very dense wiring between silicon chips. A substrate can take the form of

	ceramic, plastic, film or fibreglass sheets with embedded copper wiring.
Tape automated bonding.....	A type of chip on board that involves attaching "bare" silicon through a mass bonding method. The silicon possesses gold- or tin-plated copper lead frames which are mounted directly to the printed circuit board.
Tape ball grid array.....	A ball grid array silicon chip which is packaged on a thin tape/film carrier.
Three-dimensional laser paste volumetric inspection.....	An inspection system that uses a laser light source and a camera for image capture in a controlled process. It is used to measure the volume of solder paste that has been screened onto a printed circuit board in order to ensure solder quality.
Token ring.....	A type of LAN technology.
Turnkey.....	An outsourcing method that turns over to the EMS provider all aspects of manufacturing, including the procurement of materials.
WAN.....	"Wide area network." A communications network that covers a wide geographic area, such as a province, state or country.
Wire bonding.....	A method of attaching a "bare" silicon chip on a board. This process involves ultrasonically bonding fine aluminum wire (the size of a human hair) from the silicon chip to the PCB. This procedure is often performed in a clean room environment.
Wireless base stations.....	A base station transmitter used in digital cellular telephone networks. This is the electrical communication device that links a cellular telephone to the telephone network.
Wireless loop system.....	A system providing wireless communications between the telephone network box on a residential street and all of the homes in the neighborhood, eliminating buried telephone cable to homes. This system can also be used in an office campus environment.
X-ray laminography.....	An inspection process used for examining the quality of solder joints in an array package like ball grid array and column grid array. The technique is very similar to that of a CAT scan in the medical industry. The assembly is x-rayed in slices down through the solder joints, and the images are compared to a known good image for solder quality.

## C. ORGANIZATIONAL STRUCTURE

We conduct our business through subsidiaries operating on a worldwide basis. The following chart identifies our principal operating subsidiaries, each of which is wholly-owned.

### DESCRIPTION OF ORGANIZATIONAL CHART



## D. DESCRIPTION OF PROPERTY

The following table sets forth summary information with respect to our principal facilities, all of which are used for EMS activities.

FACILITY -----	MANUFACTURING SQUARE FOOTAGE ----- (in thousands)	OWNED/LEASED -----
Toronto, Ontario.....	888	Owned
Montreal, Quebec.....	180	Owned
Oklahoma City, Oklahoma.....	723	Leased
Denver, Colorado.....	300	Leased
Columbus, Ohio.....	476	Owned
Little Rock, Arkansas.....	424	Owned
Foothill Ranch, California.....	237	Leased
Fort Collins, Colorado.....	200	Leased
Rochester, Minnesota.....	200	Leased
Chippewa Falls, Wisconsin.....	153	Owned
Salem, New Hampshire.....	112	Leased
San Jose, California.....	131	Leased
Dallas, Texas.....	69	Leased
Mt. Pleasant, Iowa.....	69	Leased
Milwaukie, Oregon.....	61	Leased
Chelmsford, Massachusetts.....	37	Leased
Raleigh, North Carolina.....	26	Leased
Austin, Texas.....	51	Leased
Kidsgrove, England.....	375	Owned
Telford, England.....	50	Owned
Vimercate, Italy.....	550	Owned
Santa Palombo, Italy.....	150	Owned
Dublin, Ireland.....	210	Owned
Saumur, France.....	142	Owned
Rajecko, Czech Republic.....	170	Owned
Kladno, Czech Republic.....	166	Owned
Monterrey, Mexico.....	214	Leased

25

FACILITY -----	MANUFACTURING SQUARE FOOTAGE ----- (in thousands)	OWNED/LEASED -----
Mexico (2).....	152	Leased
Monterrey, Mexico.....	113	Owned
Jaguariuna, Brazil.....	142	Leased
Shanghai, China.....	383	Owned
Dongguan, China.....	172	Leased
China (3).....	122	Owned/Leased
Shatin, Hong Kong.....	123	Leased
Indonesia (3).....	48	Owned/Leased
Johor Bahru, Malaysia.....	546	Leased
Kulim, Malaysia.....	310	Owned
Malaysia (2).....	101	Owned/Leased
Singapore.....	307	Leased
Singapore.....	316	Owned
Laem Chabang, Thailand.....	422	Leased
Rayong, Thailand.....	132	Leased

Celestica's principal executive office is located at 12 Concorde Place, Toronto, Ontario M3C 3R8. We own a 330,000 square foot facility adjacent to our Toronto, Ontario facility. All of our principal facilities are ISO certified to ISO 9001 or ISO 9002 standards and our environmental management systems at our Toronto, Little Rock, Fort Collins, Denver, Foothill Ranch, Columbus, Oklahoma City, Chippewa Falls, Mt. Pleasant, United Kingdom, Ireland, France and Italian facilities and some of our Asian, Mexican and Czech facilities are also certified to the ISO 14001 (environmental) standards.

The leases for our leased facilities expire between 2002 and 2016. Celestica

currently expects to be able to extend the terms of expiring leases or to find replacement facilities on reasonable terms.

## ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

THE FOLLOWING DISCUSSION OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF CELESTICA SHOULD BE READ IN CONJUNCTION WITH THE CONSOLIDATED FINANCIAL STATEMENTS IN ITEM 18.

CERTAIN STATEMENTS CONTAINED IN THE FOLLOWING MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, INCLUDING, WITHOUT LIMITATION, STATEMENTS CONTAINING THE WORDS BELIEVES, ANTICIPATES, ESTIMATES, EXPECTS, AND WORDS OF SIMILAR IMPORT, CONSTITUTE FORWARD-LOOKING STATEMENTS. FORWARD-LOOKING STATEMENTS ARE NOT GUARANTEES OF FUTURE PERFORMANCE AND INVOLVE RISKS AND UNCERTAINTIES WHICH COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THESE FORWARD-LOOKING STATEMENTS. AMONG THE KEY FACTORS THAT COULD CAUSE SUCH DIFFERENCES ARE: THE LEVEL OF OVERALL GROWTH IN THE ELECTRONICS MANUFACTURING SERVICES (EMS) INDUSTRY; LOWER-THAN-EXPECTED CUSTOMER DEMAND; COMPONENT CONSTRAINTS; OUR VARIABILITY OF OPERATING RESULTS AMONG PERIODS; OUR DEPENDENCE ON THE COMPUTER AND COMMUNICATIONS INDUSTRIES; OUR DEPENDENCE ON A LIMITED NUMBER OF CUSTOMERS; AND OUR ABILITY TO MANAGE EXPANSION, CONSOLIDATION AND THE INTEGRATION OF ACQUIRED BUSINESSES. THESE AND OTHER FACTORS ARE DISCUSSED IN THE COMPANY'S FILINGS WITH SEDAR AND THE U.S. SECURITIES AND EXCHANGE COMMISSION.

#### GENERAL

Celestica is a leading provider of electronics manufacturing services to OEMs worldwide with 2001 revenue of \$10.0 billion. Celestica provides a wide variety of products and services to its customers, including the high-volume manufacture of complex PCAs and the full system assembly of final products. In addition, the Company is a leading-edge provider of design, repair and engineering services, supply chain management and power products. Celestica operates facilities in North America, Europe, Asia and Latin America.

26

Celestica prepares its financial statements in accordance with accounting principles which are generally accepted in Canada with a reconciliation to accounting principles generally accepted in the United States, as disclosed in Note 22 to the 2001 Consolidated Financial Statements.

#### ACQUISITIONS

A significant portion of Celestica's growth has been generated by strengthening its customer relationships and increasing the breadth of its service offerings through facility and business acquisitions.

#### 2000 ACQUISITIONS:

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

In June 2000, Celestica acquired NDB Industrial Ltda., NEC Corporation's wholly-owned manufacturing subsidiary in Brazil. The Company signed a five-year supply agreement to manufacture NEC communications network equipment for the Brazilian market. Approximately 680 employees joined Celestica. This acquisition enhanced the Company's presence in South America and put Celestica in a leadership position with communications and internet infrastructure customers. In August 2000, the Company acquired Bull Electronics Inc., the North American contract manufacturing operation of Groupe Bull of France. In November 2000, Celestica acquired NEC Technologies (UK) Ltd., in Telford, UK. The aggregate price for these three acquisitions in 2000 was \$169.8 million. In 2000,

Celestica also established a greenfield operation in Singapore.

#### 2001 ASSET ACQUISITIONS:

In February 2001, Celestica acquired certain manufacturing assets in Dublin, Ireland and Mt. Pleasant, Iowa from Motorola Inc. and signed supply agreements for two and three years, respectively. This acquisition expanded the Company's business relationship with Motorola, a leading telecom wireless customer. In March 2001, Celestica acquired certain assets relating to N.K. Techno Co. Ltd's repair business, which expanded the Company's presence in Japan, and established a greenfield operation in Shanghai. In May 2001, Celestica acquired certain assets from Avaya Inc. in Little Rock, Arkansas and Denver, Colorado and in August 2001, acquired certain assets in Saumur, France. The Company signed a five-year supply agreement with Avaya which positioned Celestica as Avaya's primary outsourcing partner in the area of printed circuit board, system assembly, test, repair and supply chain management for a broad range of its telecommunications products. In August 2001, Celestica acquired certain assets in Columbus, Ohio and Oklahoma City, Oklahoma from Lucent Technologies Inc. The Company signed a five-year supply agreement with Lucent, which positions Celestica as the leading EMS provider for Lucent's North American switching, access and wireless networking systems products.

The aggregate price for these asset acquisitions in 2001 of \$834.1 million was financed with cash.

#### 2001 BUSINESS COMBINATIONS:

In January 2001, Celestica acquired Excel Electronics, Inc. through a merger with Celestica (U.S.) Inc. which enhanced the Company's prototype service offering in the southern region of the United States. In June 2001, Celestica acquired Sagem CR s.r.o., in the Czech Republic, from Sagem SA, of France, which enhanced the Company's presence in central Europe and positioned Celestica as Sagem's primary EMS provider. In August 2001, Celestica acquired Primetech Electronics Inc. (Primetech), an electronics manufacturer in Canada. This acquisition provided Celestica with additional high complexity manufacturing capability and an expanded global customer base. The purchase price for Primetech was financed primarily with

27

the issuance of 3.4 million subordinate voting shares and the issuance of options to purchase 0.3 million subordinate voting shares of the Company.

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

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

The Company is in the process of obtaining third-party valuations of certain assets for the Primetech and Omni acquisitions. The fair value allocations of the purchase price are subject to refinement and could result in adjustments between goodwill and other net assets.

Consistent with its past practices and as a normal course of business, Celestica may at any time be engaged in ongoing discussions with respect to several possible acquisitions of widely varying sizes, including small single facility acquisitions, significant multiple facility acquisitions and corporate acquisitions. Celestica has identified several possible acquisitions that would enhance its global operations, increase its penetration in several industries and establish strategic relationships with new customers. There can be no assurance that any of these discussions will result in a definitive purchase agreement and, if they do, what the terms or timing of any agreement would be. Celestica expects to continue any current discussions and actively pursue other acquisition opportunities.

## A. OPERATING RESULTS

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

Celestica's contractual agreements with its key customers generally provide a framework for its overall relationship with the customer. Celestica recognizes product revenue upon shipment to the customer as performance has occurred, all customer specified acceptance criteria have been tested and met, and the earnings process is considered complete. Actual production volumes are based on purchase orders for the delivery of products. These orders typically do not commit to firm production schedules for more than 30 to 90 days in advance. Celestica minimizes its risk relative to its inventory by ordering materials and components only to the extent necessary to satisfy existing customer orders. Celestica is largely protected from the risk of inventory cost fluctuations as these costs are generally passed through to customers.

Celestica's annual and quarterly operating results are primarily affected by the level and timing of customer orders, fluctuations in materials costs and relative mix of value add products and services. The level and timing of customers' orders will vary due to customers' attempts to balance their inventory, changes in their manufacturing strategies, variation in demand for their products and general economic conditions. Celestica's annual and quarterly operating results are also affected by capacity utilization and other factors, including price competition, manufacturing effectiveness and efficiency, the degree of automation used in the assembly process, the ability to manage inventory and capital assets effectively, the timing of expenditures in anticipation of increased sales, the timing of acquisitions and related integration costs, customer product delivery requirements and shortages of components or labour. Historically, Celestica has experienced some seasonal variation in revenue, with revenue typically being highest in the fourth quarter and lowest in the first quarter. In 2001, weak end-market conditions in the telecommunications and information technology industries resulted in customers rescheduling and canceling orders. This has impacted Celestica's results of operations.

28

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

	YEAR ENDED DECEMBER 31		
	1999	2000	2001
Revenue.....	100.0%	100.0%	100.0%
Cost of sales.....	92.8	92.9	92.9
Gross profit.....	7.2	7.1	7.1
Selling, general and administrative expenses.....	3.8	3.3	3.4
Amortization of intangible assets.....	1.0	1.0	1.3
Integration costs related to acquisitions.....	0.2	0.2	0.2
Other charges.....	0.0	0.0	2.7
Operating income (loss).....	2.2	2.6	(0.5)
Interest expense (income), net.....	0.2	(0.2)	(0.1)
Earnings (loss) before income taxes.....	2.0	2.8	(0.4)
Income taxes.....	0.7	0.7	0.0
Net earnings (loss).....	1.3%	2.1%	(0.4)%

## ADJUSTED NET EARNINGS

As a result of the significant number of acquisitions made by Celestica over the past few years, management of Celestica uses adjusted net earnings as a measure of operating performance on an enterprise-wide basis. Adjusted net earnings exclude the effects of acquisition-related charges (most significantly, amortization of intangible assets and integration costs related to



acquisitions), other charges (most significantly, restructuring costs and the write-down of goodwill and intangible assets) and the related income tax effect of these adjustments. Adjusted net earnings is not a measure of performance under Canadian GAAP or U.S. GAAP. Adjusted net earnings should not be considered in isolation or as a substitute for net earnings (loss) prepared in accordance with Canadian GAAP or U.S. GAAP or as a measure of operating performance or profitability. Adjusted net earnings does not have a standardized meaning prescribed by GAAP and is not necessarily comparable to similar measures presented by other companies. The following table reconciles net earnings (loss) to adjusted net earnings:

	YEAR ENDED DECEMBER 31		
	1999	2000	2001
	(in millions)		
Net earnings (loss).....	\$ 68.4	\$206.7	\$(39.8)
Amortization of intangible assets.....	55.6	88.9	125.0
Integration costs related to acquisitions.....	9.6	16.1	22.8
Other charges.....	--	--	273.1
Income tax effect of above.....	(10.6)	(7.6)	(60.5)
Adjusted net earnings.....	\$123.0	\$304.1	\$320.6
As a percentage of revenue.....	2.3%	3.1%	3.2%

#### REVENUE

Revenue increased 3%, to \$10,004.4 million in 2001 from \$9,752.1 million in 2000. Acquisition revenue grew by 14%, offset by an 11% decline in base business volumes. The acquisition growth was a result of strategic acquisitions in the communications industry, primarily in the U.S. and Asia. The Company defines acquisition revenue as revenue from businesses acquired in the preceding 12 months. Organic revenue declined in 2001 due to the softening of end-markets. The visibility of future end-market conditions is limited.

29

Revenue from the Americas operations decreased 3% to \$6,334.6 million in 2001 from \$6,542.7 million in 2000 primarily due to continued end-market softening which was partially offset by acquisitions. Revenue from European operations increased 6% to \$3,001.3 million in 2001 from \$2,823.3 million in 2000 due to the flow through of the IBM acquisition from 2000 and from the 2001 acquisitions, partially offset by the general industry downturn. Revenue from Asian operations increased 14% to \$991.1 million in 2001 from \$871.6 million in 2000 primarily due to the Omni acquisition offset in part by the general industry downturn. Inter-segment revenue in 2001 was \$322.6 million, compared to \$485.5 million in 2000. We expect that the Americas and Asian operations will benefit in the future from the flow through of the 2001 acquisitions.

Revenue from customers in the communications industry in 2001 was 36% of revenue compared to 31% and 25% of revenue in 2000 and 1999, respectively. Revenue from customers in the server-related business in 2001 was 31% compared to 33% and 25% of revenue in 2000 and 1999, respectively. Revenue in the communications industry benefited from our recent acquisitions.

Revenue increased 84%, to \$9,752.1 million in 2000 from \$5,297.2 million in 1999. This increase resulted from growth achieved both organically and through strategic acquisitions. This growth was driven by customers in the communications and server industries. Organic revenue growth in 2000 was 50% and represented approximately 59% of the total year-over-year growth. Organic growth came from growth in existing business and new customers across all geographic segments. The IBM acquisition accounted for the majority of the acquisition growth in 2000. Revenue from the Americas operations grew 82%, to \$6,542.7 million in 2000 from \$3,587.5 million in 1999. Revenue from European operations grew 155%, to \$2,823.3 million in 2000 from \$1,108.6 million in 1999. The Italian facilities generated over half of Europe's increase from the prior year, with the remainder due to an overall increase in Europe's base business. Revenue from Asian operations increased 23%, to \$871.6 million in 2000 from \$710.2 million in 1999. Inter-segment revenue in 2000 was \$485.5 million, compared to \$109.1 million in 1999.

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

	1999	2000	2001
	-----	-----	-----
Sun Microsystems.....	X	X	X
IBM.....		X	X
Lucent Technologies.....			X
Hewlett-Packard.....	X		
Cisco Systems.....	X		

Celestica's top-five customers represented in the aggregate 67% of total revenue in 2001 compared to 69% in 2000 and 68% in 1999. The Company is dependent upon continued revenue from its top customers. There can be no assurance that revenue from these or any other customers will not increase or decrease as a percentage of total revenue either individually or as a group. Any material decrease in revenue from these or other customers could have a material adverse effect on the Company's results of operations. See notes 17 (concentration of risk) and 19 to the Consolidated Financial Statements.

#### GROSS PROFIT

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

Gross profit increased 80%, to \$688.0 million in 2000 from \$382.5 million in 1999. Gross margin decreased to 7.1% in 2000 from 7.2% in 1999. Gross margin decreased as a result of a change in product mix and start-up costs for new programs, particularly in Mexico.

For the foreseeable future, the Company's gross margin is expected to depend primarily on product mix, production efficiencies, utilization of manufacturing capacity, start-up activity, new product introductions and pricing within the electronics industry. Over time, gross margins at individual sites and for the Company as a whole are expected to fluctuate. Changes in product mix, additional costs associated with new product

30

introductions and price erosion within the electronics industry could adversely affect the Company's gross margin. Also, the availability of raw materials, which are subject to lead time and other constraints, could possibly limit the Company's revenue growth.

#### SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

SG&A increased 61%, in 2000 to \$326.1 million (3.3% of revenue) from \$202.2 million (3.8% of revenue) in 1999. The increase in expenses was a result of increased staffing levels and higher selling, marketing and administrative costs to support sales growth, as well as the impact of expenses incurred by operations acquired during 1999 and 2000.

Research and development costs decreased to \$17.1 million (0.2% of revenue) in 2001 compared to \$19.5 million (0.2% of revenue) in 2000 and \$19.7 million (0.4% of revenue) in 1999.

#### INTANGIBLE ASSETS AND AMORTIZATION

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

Amortization of intangible assets increased 60%, to \$88.9 million in 2000

from \$55.6 million in 1999. This increase is attributable to the intangible assets arising from the 1999 and 2000 acquisitions, with the largest portion relating to the IBM and NEC acquisitions.

At December 2001, intangible assets represented 23% of Celestica's total assets compared to 10% at December 2000. The increase is due principally to the Omni acquisition.

Effective July 1, 2001, the Company adopted the new accounting standards for "Business Combinations" and "Goodwill and Other Intangible Assets" as they relate to acquisitions consummated after June 30, 2001. Accordingly, the goodwill related to the acquisitions of Primetech and Omni has not been amortized. Effective January 1, 2002, amortization will be discontinued for all other goodwill. Amortization expense in 2001 related to goodwill was \$39.2 million. See "-- Recent Accounting Developments."

#### INTEGRATION COSTS RELATED TO ACQUISITIONS

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

Integration costs were \$22.8 million in 2001 compared to \$16.1 million in 2000 and \$9.6 million in 1999. The integration costs incurred in 2001 primarily relate to the completion of the IBM acquisition from 2000 and the Avaya and Motorola acquisitions.

Integration costs vary from period to period due to the timing of acquisitions and related integration activities. Celestica expects to incur additional integration costs in 2002 as it completes the integration of its 2001 acquisitions. Celestica will incur future additional integration costs as the Company continues to make acquisitions as part of its growth strategy.

#### OTHER CHARGES

Other charges are non-recurring items or items that are unusual in nature. In 2001, Celestica incurred \$273.1 million in other charges. \$237.0 million relates to restructuring, of which approximately 40% is non-cash. The remainder of \$36.1 million relates to a non-cash charge to write-down the carrying value of certain assets, primarily goodwill and intangible assets.

31

The Company has been impacted by numerous order reductions, reschedulings and cancellations since the beginning of fiscal 2001, which the Company believes is consistent with the EMS industry in general. The Company has taken restructuring actions to resolve surpluses as a result of the end-market slowdown.

These restructuring actions include facility consolidations and workforce reductions. Employee terminations were made across all geographic regions with the majority being manufacturing and plant employees. The Company took a non-cash charge to write-down certain long-lived assets across all geographic regions, which became impaired as a result of the rationalization of facilities. These asset impairments relate to goodwill and other intangible assets, machinery and equipment, buildings and improvements. The restructuring charge includes a number of estimates and assumptions based on information available at the time and are subject to change.

A further description of these charges is included in Note 13 to the Consolidated Financial Statements.

The Company expects to benefit from the restructuring measures through margin improvements and reduced operating costs in the upcoming year. The Company expects to complete the major components of the restructuring plan by the end of 2002. Cash outlays are funded from cash on hand.

Celestica did not incur other charges in 2000 or 1999.

#### INTEREST INCOME, NET

Interest income, net of interest expense, in 2001 and 2000 amounted to \$7.9 million and \$19.0 million, respectively. The Company incurred net interest expense of \$10.7 million in 1999. Interest income decreased in 2001 compared to 2000 due to the Company earning lower interest rates on its cash balance. In 2001 and 2000, the Company earned interest income on its cash balance which more than offset the interest expense incurred on the Company's Senior Subordinated Notes.

#### INCOME TAXES

The Company's income tax recovery in 2001 was \$2.1 million, reflecting an effective tax recovery rate of 5%. This is compared to an income tax expense of \$69.2 million in 2000, reflecting an effective tax rate of 25%, and an income tax expense of \$36.0 million in 1999, reflecting an effective tax rate of 34%.

The Company's effective tax rate decreased from 24% to 17% in the second quarter of 2001 as a result of the mix and volume of business in lower tax jurisdictions within Europe and Asia. These lower tax rates include tax holidays and tax incentives that Celestica has negotiated with the respective tax authorities which expire between 2002 and 2012. The 2001 effective tax rate is impacted by the occurrence of losses in the third and fourth quarters, which are tax benefited at a lower tax rate. Notwithstanding the anomaly created by these losses in determining the year-to-date tax rate, the Company's current tax rate of 17% is expected to continue for the foreseeable future.

Celestica has recognized a net deferred tax asset at December 31, 2001 of \$102.8 million compared to \$83.5 million at December 31, 2000. The net asset relates to the recognition of net operating losses and future income tax deductions available to reduce future years' income for income tax purposes. Celestica's current projections demonstrate that it will generate sufficient taxable income in the future to realize the benefit of these deferred income tax assets in the carry-forward periods. A portion of the net operating losses have an indefinite carry forward period. The other portion will expire over a 20-year period commencing in 2005.

32

#### UNAUDITED QUARTERLY FINANCIAL HIGHLIGHTS

	2001				2000			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
(in millions, except share amounts)								
Revenue.....	\$2,692.6	\$2,660.7	\$2,203.0	\$2,448.2	\$1,612.3	\$2,091.9	\$2,600.1	\$3,447.8
EBIAT(1).....	\$ 104.3	\$ 105.8	\$ 70.1	\$ 90.9	\$ 52.6	\$ 72.3	\$ 98.4	\$ 138.6
% (1).....	3.9%	4.0%	3.2%	3.7%	3.3%	3.5%	3.8%	4.0%
Net earnings (loss).....	\$ 54.8	\$ 15.8	\$ (38.7)	\$ (71.8)	\$ 26.1	\$ 41.4	\$ 55.7	\$ 83.5
Adjusted net earnings (2).....	\$ 87.3	\$ 93.1	\$ 64.7	\$ 75.5	\$ 39.5	\$ 63.7	\$ 83.9	\$ 117.0
%.....	3.2%	3.5%	2.9%	3.1%	2.4%	3.0%	3.2%	3.4%
Weighted average # of shares outstanding (in millions)								
-- basic.....	203.6	207.0	218.1	227.1	190.1	202.7	203.0	203.2
-- diluted (3) (5).....	223.1	225.5	218.1	227.1	199.5	211.9	220.0	222.6
Basic earnings (loss) per share.....	\$ 0.25	\$ 0.06	\$ (0.20)	\$ (0.33)	\$ 0.14	\$ 0.20	\$ 0.26	\$ 0.39
Diluted earnings (loss) per share (3) (5).....	\$ 0.25	\$ 0.06	\$ (0.20)	\$ (0.33)	\$ 0.13	\$ 0.20	\$ 0.25	\$ 0.38
Diluted adjusted earnings per share (4) (5).....	\$ 0.39	\$ 0.41	\$ 0.27	\$ 0.31	\$ 0.20	\$ 0.30	\$ 0.38	\$ 0.53

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- (1) Earnings before interest, amortization of intangible assets, income taxes, integration costs related to acquisitions and other charges, which is also referred to as our operating margins.
  - (2) Net earnings (loss) adjusted for amortization of intangible assets, integration costs related to acquisitions and other charges, net of related income taxes. Adjusted net earnings is not a GAAP measure. See "-- Adjusted net earnings."
  - (3) For the third and fourth quarter of 2001, excludes the effect of options and convertible debt as they are anti-dilutive due to the loss.

- (4) For purposes of calculating diluted adjusted earnings per share for the third and fourth quarter of 2001, the weighted average number of shares outstanding in millions was 235.7 and 244.5, respectively.
- (5) Shares outstanding and per share amounts for 2000 have been restated to reflect the treasury stock method, retroactively applied. See "-- Recent Accounting Developments."

#### CONVERTIBLE DEBT

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

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

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

#### 33

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

#### B. LIQUIDITY AND CAPITAL RESOURCES

In 2001, operating activities provided Celestica with \$1,290.5 million in cash principally from earnings and a reduction in working capital. The primary factors contributing to the positive cash flow for the year was the reduction of inventory due to better inventory management, strong accounts receivable collections, the sale of \$400.0 million in accounts receivable under a revolving facility which is available until September 2004 offset by a decrease in accounts payable and accrued liabilities. Investing activities in 2001 included capital expenditures of \$199.3 million and \$1,299.7 million for acquisitions. See "-- Acquisitions." Celestica fully funded the cash portion of its 2001 acquisitions with cash from operations and will continue to focus on improving working capital management. The Company's 2001 financing activities included the issuance in May of 12.0 million subordinate voting shares for gross proceeds of \$714.0 million less expenses and underwriting commissions of \$10.0 million (pre-tax) and the repayment of \$56.0 million of debt acquired in connection with the acquisition of Omni.

For the year ended December 31, 2000, Celestica's operating activities utilized \$85.1 million in cash. Investing activities in 2000 included capital expenditures of \$282.8 million and \$634.7 million for acquisitions. In March 2000, Celestica issued 16.6 million subordinate voting shares for gross proceeds of \$757.4 million less expenses and underwriting commissions of \$26.8 million (pre-tax). In August 2000, Celestica completed the LYONs offering, raising gross proceeds of \$862.9 million less underwriting commissions of \$19.4 million (pre-tax).

#### CAPITAL RESOURCES

Celestica has two \$250.0 million and one \$500.0 million unsecured, revolving

credit facilities totalling \$1.0 billion, each provided by a syndicate of lenders and are available until July 2003, April 2004 and July 2005, respectively. The credit facilities permit Celestica and certain designated subsidiaries to borrow funds directly for general corporate purposes (including acquisitions) at floating rates. Under the credit facilities: Celestica is required to maintain certain financial ratios; its ability and that of certain of its subsidiaries to grant security interests, dispose of assets, change the nature of its business or enter into business combinations, is restricted; and a change in control is an event of default. No borrowings were outstanding under the revolving credit facilities at December 31, 2001.

Effective April 19, 2002, the maturity of one of the \$250.0 million credit facilities has been extended from April 2004 to April 2005. Concurrent with this extension, Celestica elected to reduce the facility to \$210.0 million from \$250.0 million.

In addition, there is an incurrence covenant contained in Celestica's Senior Subordinated Notes due 2006. This covenant is based on Celestica's fixed charge coverage ratio, as defined in the indenture governing the Senior Subordinated Notes. Celestica was in compliance with this debt covenant as at December 31, 2001.

A subsidiary of the Company has secured loan facilities of which \$13.0 million was outstanding at December 31, 2001. The weighted average interest rates on these facilities in 2001 was 4.4%. The loans are denominated in Singapore dollars and are repayable through quarterly payments.

Celestica believes that cash flow from operating activities, together with cash on hand and borrowings available under its credit facilities, will be sufficient to fund currently anticipated working capital, planned capital spending and debt service requirements for the next 12 months. The Company expects capital spending for 2002 to be approximately \$170.0 million to \$220.0 million. At December 31, 2001, Celestica had committed \$21.0 million in capital expenditures. In addition, Celestica regularly reviews acquisition opportunities, and may therefore require additional debt or equity financing.

Celestica prices the majority of its products in U.S. dollars, and the majority of its material costs are also denominated in U.S. dollars. However, a significant portion of its non-material costs (including payroll, facilities costs and costs of locally sourced supplies and inventory) are denominated in various currencies. As a result, Celestica may experience transaction and translation gains or losses because of currency fluctuations. At

34

December 31, 2001, Celestica had forward foreign exchange contracts covering various currencies in an aggregate notional amount of \$704.8 million with expiry dates up to May 2003. The fair value of these contracts at December 31, 2001, was an unrealized loss of \$7.4 million. Celestica's current hedging activity is designed to reduce the variability of its foreign currency costs and involves entering into contracts to sell U.S. dollars to purchase Canadian dollars, British pounds sterling, Mexican pesos, euros, Thailand baht and Czech koruna at future dates. In general, these contracts extend for periods of less than 18 months. Celestica may, from time to time, enter into additional hedging transactions to minimize its exposure to foreign currency and interest rate risks. There can be no assurance that such hedging transactions, if entered into, will be successful.

As at December 31, 2001, the Company has contractual obligations that require future payments as follows:

	TOTAL	2002	2003	2004	2005	2006	THEREAFTER
	-----	-----	-----	-----	-----	-----	-----
	(in millions)						
Long-term debt.....	\$147.4	\$ 10.0	\$ 4.5	\$ 1.3	\$ 0.7	\$130.6	\$ 0.3
Operating leases and license commitments.....	359.4	104.1	81.3	38.0	26.4	20.4	89.2

The Company has a convertible instrument with a principal amount at maturity of \$1,813.6 million payable August 1, 2020. The Company may elect to settle in cash or shares or any combination thereof. See further details in Note 10 to the Consolidated Financial Statements.

As at December 31, 2001, the Company has commitments that expire as follows:

	TOTAL	2002	2003	2004	2005	2006	THEREAFTER
	-----	-----	-----	-----	-----	-----	-----
	(in millions)						
Foreign currency contracts.....	\$704.8	\$654.0	\$50.8	\$--	\$--	\$--	\$--
Letters of credit and guarantees.....	24.1	24.1	--	--	--	--	--

#### RECENT DEVELOPMENT

On March 31, 2002, the Company purchased from NEC Corporation certain manufacturing assets in Miyagi and Yamanashi, Japan.

#### CRITICAL ACCOUNTING POLICIES AND 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 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 estimates are used in determining the allowance for doubtful accounts, inventory valuation and the useful lives of intangible assets. Actual results could differ materially from those estimates and assumptions.

Celestica records an allowance for doubtful accounts for estimated credit losses based on customer and industry concentrations and the Company's knowledge of the financial condition of its customers. A change to these factors could impact the estimated allowance.

Celestica values its inventory on a first-in, first-out basis at the lower of cost and replacement cost for production parts and at the lower of cost and net realizable value for work in progress and finished goods. Celestica adjusts its inventory valuation based on estimates of net realizable value and shrinkage. A change to these assumptions could impact the valuation of inventory.

Celestica's estimate of the useful life of intangible assets reflects the periods in which the projected future net cash flows are generated. A significant change in the projected future net cash flows could impact the estimated useful life.

35

#### RECENT ACCOUNTING DEVELOPMENTS

##### EARNINGS PER SHARE:

As a result of the new Canadian Institute of Chartered Accountants (CICA) Handbook Section 3500 "Earnings per share," the Company was required to retroactively use the treasury stock method for calculating diluted earnings per share. This change results in an earnings per share calculation which is consistent with United States GAAP. Previously reported diluted earnings per share have been restated to reflect this change.

##### BUSINESS COMBINATIONS AND GOODWILL:

In September 2001, the CICA issued Handbook Sections 1581 "Business Combinations" and 3062 "Goodwill and Other Intangible Assets." The new standards mandate the purchase method of accounting for business combinations and require that goodwill no longer be amortized but instead be tested for impairment at least annually. The standards also specify criteria that intangible assets must meet to be recognized and reported apart from goodwill. The standards require that the value of the shares issued in a business combination be measured using the average share price for a reasonable period before and after the date the terms of the acquisition are agreed to and announced. Previously, the consummation date was used to value the shares issued in a business combination. The new standards are substantially consistent with United States GAAP.

Effective July 1, 2001 and for the remainder of the fiscal year, goodwill acquired in business combinations completed after June 30, 2001, was not amortized. In addition, the criteria for recognition of intangible assets apart from goodwill and the valuation of the shares issued in a business combination has been applied to business combinations completed after June 30, 2001.

Upon full adoption of the standards beginning January 1, 2002, the Company will discontinue amortization of all existing goodwill, evaluate existing intangible assets and make any necessary reclassifications in order to conform with the new criteria for recognition of intangible assets apart from goodwill and will test for impairment in accordance with the new standards.

In connection with Section 3062's transitional goodwill impairment evaluation, the Company is required to assess whether goodwill is impaired as of January 1, 2002. The Company has up to six months to determine the fair value of its reporting units and compare that to the carrying amounts of the reporting units. To the extent a reporting unit's carrying amount exceeds its fair value, the Company must perform a second step to measure the amount of impairment in a manner similar to a purchase price allocation. This second step is to be completed no later than December 31, 2002. The change to assessing fair value by reporting unit could result in an impairment charge. Any transitional impairment will be recognized as an effect of a change in accounting principle and will be charged to opening retained earnings as of January 1, 2002.

As of December 31, 2001, the Company had unamortized goodwill of \$1,128.8 million and unamortized other intangible assets including intellectual property of \$427.2 million, all of which are subject to the transitional provisions of Sections 1581 and 3062. Amortization expense related to goodwill was \$39.2 million for 2001. Because of the extensive effort required to comply with the remaining provisions of Sections 1581 and 3062, the Company has not estimated the impact of these provisions on its financial statements, beyond discontinuing goodwill amortization.

#### STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS:

In December 2001, the CICA issued Handbook Section 3870, which establishes standards for the recognition, measurement, and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services provided by employees and non-employees. The standard requires that a fair value based method of accounting be applied to all stock-based payments to non-employees and to employee awards that are direct awards of stock, that call for settlement in cash or other assets or are stock appreciation rights that call for settlement by the issuance of equity instruments. However, the new standard permits the Company to continue its existing policy of recording no compensation cost on the grant of stock options to employees. Consideration paid by employees on the exercise of stock options is recorded as share capital. The standard is effective for the Company's fiscal year beginning January 1, 2002 for awards granted on or after that date. The Company's current accounting policies are consistent with the new standard.

36

#### FOREIGN CURRENCY TRANSLATION AND HEDGING RELATIONSHIPS:

CICA Handbook Section 1650 has been amended to eliminate the deferral and amortization of foreign currency translation gains and losses on long-lived monetary items, effective January 1, 2002, with retroactive restatement of prior periods. The Company is not impacted by this change. The CICA issued Accounting Guideline AcG-13, which establishes criteria for hedge accounting effective for the Company's 2003 fiscal year. The Company has complied with the requirements of AcG-13 and has determined that all of its current hedges will continue to qualify for hedge accounting when the guideline becomes effective.

#### TRANSFER OF RECEIVABLES:

In March 2001, the CICA issued Accounting Guideline AcG-12, which applies to transfers of receivables after June 30, 2001. AcG-12 requires that transfers of receivables in which the transferor surrenders control over the assets, be accounted for as a sale to the extent that consideration other than beneficial interests in the transferred assets, are received in exchange. The Company's current accounting policies are consistent with the new standard.

#### IMPAIRMENT OF LONG-LIVED ASSETS:

In October 2001, FASB issued Statement No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets," which retains the fundamental provisions of SFAS 121 for recognizing and measuring impairment losses of long-lived assets other than goodwill. Statement 144 also broadens the definition of discontinued operations to include all distinguishable components of an entity that will be eliminated from ongoing operations. This Statement is



effective for the Company's fiscal year commencing January 1, 2002, to be applied prospectively. In August 2001, SFAS 143 "Accounting for Asset Retirement Obligations" was approved and requires that the fair value of an asset retirement obligation be recorded as a liability, at fair value, in the period in which the Company incurs the obligation. SFAS 143 is effective for the Company's fiscal year commencing January 1, 2003. The Company expects the adoption of these standards will have no material impact on its financial position, results of operations or cash flows.

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

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

#### D. TREND INFORMATION

During the last year, economic growth slowed and, in some regions of the world, contracted. As a result, demand for technology products fell significantly, and Celestica's customers experienced commensurately reduced demand for their products. In turn, Celestica experienced reduced demand for electronics manufacturing services. However, this downturn in demand was offset partially by an increase on the part of Celestica's customers to outsource their manufacturing. In 2002, the economic environment continues to be uncertain, and Celestica continues to experience poor visibility for customer demand. Given the difficult economic environment, Celestica has been focussed on re-aligning capacity to match current levels of product demand, generating increased levels of cash flow, and improving operating efficiencies, including the reduction of inventory levels. Celestica intends to continue these activities in 2002. There continues to be a significant number of outsourcing opportunities and Celestica is well positioned to participate further in the trend towards increasing levels of electronics outsourcing by OEMs. If, however, economic conditions were to deteriorate significantly beyond current expectations, Celestica would likely continue reducing capacity to match reduced levels of demand.

37

### ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

#### A. DIRECTORS AND SENIOR MANAGEMENT

Each director of Celestica is elected by the shareholders to serve until the next annual meeting or until a successor is elected or appointed. Executive officers of Celestica are appointed annually and serve at the discretion of the board of directors. The following table sets forth certain information regarding the directors and senior officers of Celestica.

NAME ----	AGE -----	POSITION WITH CELESTICA -----
EUGENE V. POLISTUK.....	55	Chairman of the Board, Chief Executive Officer and Director
ANTHONY P. PUPPI.....	44	Executive Vice President, Chief Financial Officer, General Manager, Global Services and Director
ROBERT L. CRANDALL.....	66	Director
WILLIAM A. ETHERINGTON.....	60	Director
MARK L. HILSON.....	44	Director
RICHARD S. LOVE.....	64	Director
ROGER L. MARTIN.....	45	Director
ANTHONY R. MELMAN.....	54	Director
MICHIO NARUTO.....	66	Director
GERALD W. SCHWARTZ.....	60	Director
DON TAPSCOTT.....	54	Director

J. MARVIN M(A)GEE.....	49	President and Chief Operating Officer
R. THOMAS TROPEA.....	49	Vice Chair, Global Customer Units and Worldwide Marketing and Business Development
ANDREW G. GORT.....	49	Executive Vice President, Global Supply Chain Management
ALASTAIR KELLY.....	57	Executive Vice President, Corporate Development
ARTHUR P. CIMENTO.....	44	Senior Vice President, Corporate Strategies
LISA J. COLNETT.....	44	Senior Vice President, Worldwide Process Management and Chief Information Officer
STEPHEN DELANEY.....	42	Senior Vice President, U.S., Celestica Corporation
IAIN S. KENNEDY.....	40	Senior Vice President, Integration
DONALD S. MCCREESH.....	53	Senior Vice President, Human Resources
DANIEL P. SHEA.....	45	Senior Vice President and Chief Technology Officer
RAHUL SURI.....	37	Senior Vice President, Mergers and Acquisitions
PETER J. BAR.....	44	Vice President and Corporate Controller
ELIZABETH L. DELBIANCO.....	42	Vice President, General Counsel and Secretary
F. GRAHAM THOURET.....	47	Vice President and Corporate Treasurer

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

EUGENE V. POLISTUK is the founder, Chairman of the Board of Directors and Chief Executive Officer of Celestica. He has been the Chief Executive Officer of Celestica since its establishment in 1994, and was Celestica's President until February 2001. Since 1986, Mr. Polistuk has been instrumental in charting Celestica's transformation and executing the company's successful evolution from its early history as an operating unit of IBM, to a standalone company, to a \$10.0 billion public company and leader in the electronics manufacturing services industry. Previously, Mr. Polistuk spent 25 years with IBM Canada, where, over the course of his career,

38

he managed all key functional areas of the business. Mr. Polistuk holds a Bachelor of Applied Science degree in Electrical Engineering from the University of Toronto and an Honorary Doctorate in Engineering from Ryerson University in 2001. In 1994, he was presented with the "2T5 Meritorious Service Medal" in recognition of his meritorious service in and for the profession, by his peers in the University of Toronto Engineering Alumni Association. He has been the recipient of ELECTRONIC BUSINESS' Outstanding CEO award, and most recently, under Mr. Polistuk's leadership, Celestica has been recognized as the number one ranking company on BUSINESSWEEK'S 2001 Info Tech 100 list, and as CANADIAN BUSINESS' Company of the Year in the publication's 2001 Tech 100 issue.

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

ROBERT L. CRANDALL is the retired Chairman of the Board and Chief Executive Officer of AMR Corporation/ American Airlines Inc. Mr. Crandall has been a director of Celestica since July 1998. He is also a director of Allied World Assurance Company, Anixter International Inc., the Halliburton Company and i2 Technologies Inc. He also serves on the International Advisory Board of American International Group Inc. Mr. Crandall holds a Bachelor of Science degree from the University of Rhode Island and a Master of Business Administration degree from the Wharton School of the University of Pennsylvania.

WILLIAM A. ETHERINGTON is 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. Mr. Etherington has been a director of Celestica since October 2001. After joining IBM Canada in 1964, Mr. Etherington ran successively larger portions of the company's business in Canada, Latin America, Europe and from the corporate office in Armonk, New York. He retired from IBM after a 37-year career. Mr. Etherington holds a Bachelor of Science in Electrical Engineering and a Doctor of Laws (Hon.) Degree from the University of Western Ontario.

MARK L. HILSON is a Vice President of Onex and has acted as a director of Celestica since October 1996. Mr. Hilson joined Onex in 1988 and was appointed Vice President in 1993. Prior to 1988, he was an associate in the Mergers & Acquisitions Group at Merrill Lynch. Mr. Hilson is also a director of Magnatrac Corporation, Unitive Inc., Vincor International Inc. and a governor of Wilfrid Laurier University and the Shaw Festival. Mr. Hilson holds an Honours Bachelor of Business Administration (gold medallist) from Wilfrid Laurier University and a Master of Business Administration (George F. Baker Scholar) from the Harvard University Graduate School of Business Administration.

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

ROGER L. MARTIN is Dean and Professor of Strategy at the University of Toronto's Joseph L. Rotman School of Management and has been a director of Celestica since July 1998. Mr. Martin was formerly a director of Monitor Company and is Chair of the Ontario Task Force on Competitiveness, Productivity, and Economic Progress. Mr. Martin also serves as a director for Thomson Corporation, Ontario SuperBuild Corporation, the Canadian Film Centre and a trustee of the Hospital for Sick Children. Mr. Martin holds a AB degree (cum laude) from Harvard College and a Master of Business Administration degree from the Harvard University Graduate School of Business Administration.

ANTHONY R. MELMAN is a Vice President of Onex and has been a director of Celestica since October 1996. Dr. Melman joined Onex in 1984 and is actively involved in negotiating acquisitions, divestitures, and the

39

financing thereof. He serves on the boards of various Onex subsidiaries. From 1977 to 1984, he was Senior Vice President of Canadian Imperial Bank of Commerce, responsible for worldwide merchant banking, project financing, acquisitions and other specialized financing activities. Prior to emigrating to Canada in 1977, Dr. Melman had extensive merchant banking experience in South Africa and the United Kingdom. Dr. Melman is also a director of The Baycrest Centre Foundation, The Baycrest Centre for Geriatric Care, the University of Toronto Asset Management Corporation and a member of the Board of Governors of Mount Sinai Hospital. Dr. Melman holds a Bachelor of Science from the University of The Witwatersrand, a Master of Business Administration (gold medallist) from Cape Town University and a Ph.D. in Finance from the University of The Witwatersrand.

MICHIO NARUTO is the Chairman of Celestica Japan KK, Chairman of the Board of ICL plc, special representative of Fujitsu Ltd. and Chairman of Toyota Info Technology Center. He has been a director of Celestica since October 2001. Mr. Naruto joined Fujitsu Limited in February 1962. In 1981, when Fujitsu entered into a technology agreement with ICL, he held the position of General Manager, Business Administration of International Operations. He was appointed to the board of Fujitsu in 1985, in charge of International Operations. Later his responsibility in Fujitsu covered the ICL Business Group; Legal and Industry Relations; External Affairs and Export Control. In his current capacity, he attends various international conferences as special representative of Fujitsu and also takes a role as chairman of Fujitsu Research Institute. Mr. Naruto holds a Bachelor of Laws degree from the University of Tokyo.

GERALD W. SCHWARTZ is the Chairman of the Board, President and Chief Executive Officer of Onex and has been a director of Celestica since July 1998. Prior to founding Onex in 1983, Mr. Schwartz was a co-founder (in 1977) of CanWest Capital Corp., now CanWest Global Communications Corp. He is a director

of Onex, The Bank of Nova Scotia, LSG/Sky Chefs, Inc. and Phoenix Pictures Inc. Mr. Schwartz is also Vice Chairman and Member of the Executive Committee of Mount Sinai Hospital and is a director, governor, or trustee of a number of other organizations, including Junior Achievement, Canadian Council of Christians and Jews and The Board of Associates of the Harvard Business School. Mr. Schwartz holds a Bachelor of Commerce degree and a Bachelor of Laws degree from the University of Manitoba, a Master of Business Administration degree from the Harvard University Graduate School of Business Administration and a Doctor of Laws (Hon.) from St. Francis Xavier University.

DON TAPSCOTT is an internationally sought after authority, consultant and speaker on business strategy and organizational transformation. He is the author of several widely read books on the application of technology in business. Mr. Tapscott is the co-founder of Digital 4Sight, a company that researches and designs new business models for Global 2000 organizations, president of New Paradigm Learning Corporation, Chairman of Maptuit, and an adjunct Professor of Management at the University of Toronto's Joseph L. Rotman School of Management. He is also a founding member of the Committee of Advisers of the Business and Economic Roundtable on Addiction and Mental Health. Mr. Tapscott has been a director of Celestica since September 1998. He holds a Bachelor of Science degree in Psychology and Statistics and a Master of Education degree, specializing in Research Methodology, as well as a Doctor of Laws (Hon.) from the University of Alberta.

J. MARVIN M(A)GEE has been the President and Chief Operating Officer of Celestica since February 2001 and was the Executive Vice President, Worldwide Operations from October 1999 to February 2001 and was Senior Vice President, Canada from January 1997 until October 1999. Mr. M(a)Gee joined IBM Canada in 1979 and, over the course of his career, has held a number of executive positions with IBM Canada's manufacturing and development operations, with assignments in Canada and the United States. Mr. M(a)Gee holds a Bachelor of Science degree in Mechanical Engineering from the University of New Brunswick and a Master of Business Administration degree from McMaster University.

R. THOMAS TROPEA has been Vice Chair, Global Customer Units and Worldwide Marketing and Business Development since February 2001 and was the Executive Vice President, Worldwide Marketing and Business Development from October 1999 to February 2001 and Senior Vice President of Marketing and Business Development from August 1998 to October 1999. Mr. Tropea has responsibility for global marketing and business development. He joined Celestica after an extensive career with Northern Telecom and has over 18 years of experience in the telecommunications industry in North America and Europe, working in critical

40

areas such as sales, finance, business development, investor relations and manufacturing operations. Mr. Tropea holds a Master of Business Administration degree from the University of Toronto and a Bachelor of Commerce degree from Carleton University in Ottawa, Ontario.

ANDREW G. GORT has been the Executive Vice President Supply Chain Management since February 2001 and was a Senior Vice President of Celestica from October 1996 until February 2001. He is responsible for global supply chain management, which includes Celestica's worldwide procurement procedures. Mr. Gort joined IBM Canada in 1969 and, over the course of his career, has held various managerial roles in new products, materials, planning, office systems and manufacturing products. Mr. Gort holds a Bachelor of Arts degree in Economics and a Master of Business Administration degree from the University of Toronto.

ALASTAIR KELLY has been the Executive Vice President, Corporate Development since October 1999 and was the Senior Vice President, Celestica Europe from January 1997 until October 1999. Mr. Kelly joined Design to Distribution Limited in 1994 and, over the course of his career, has had experience in the computer, telecommunications and electronics manufacturing sectors. Mr. Kelly holds a Master of Arts degree in Psychology from Aberdeen University and a Doctor of Science degree from Salford University.

ARTHUR P. CIMENTO joined Celestica in September 1999 as Senior Vice President, Corporate Strategies. Prior to joining Celestica, he was at McKinsey & Co., a leading international management consulting firm, with a client portfolio focused on electronics operations. Mr. Cimento joined McKinsey in 1988, was elected a Principal in 1993, and held leadership positions in McKinsey's Operations and Electronics practices. Before joining McKinsey, Mr. Cimento held management positions in several engineering services firms. He

is a director of the San Francisco Chamber of Commerce. Mr. Cimento holds both a Bachelor of Science and a Master of Science degree in Mechanical Engineering from the Massachusetts Institute of Technology.

LISA J. COLNETT has been a Senior Vice President of Celestica since October 1996. In her current role as Senior Vice-President, Worldwide Process Management, and Chief Information Officer, she is responsible for key corporate functions, including IT. Prior to that, Ms. Colnett headed the Memory Division of Celestica. Ms. Colnett joined IBM Canada in 1981 and, over the course of her career, has had experience in materials logistics, cost engineering, site logistics and manufacturing management. Ms. Colnett holds a Bachelor of Business Administration degree from the University of Western Ontario.

STEPHEN DELANEY joined Celestica in May 2001 and is a Senior Vice President responsible for Celestica's U.S. East operations. Prior to joining Celestica, Mr. Delaney was the Vice President and general manager of Interior and Exterior Systems Business at Visteon, responsible for a division with 25 plants and 25,000 people in North and South America, Europe and Asia. Prior to joining Visteon in 1997 as Vice President of Supply, Mr. Delaney held executive and senior management roles in the operations of AlliedSignal's Electronic Systems business, Ford's Electronics Division, and IBM's Telecommunications division. Mr. Delaney holds a Masters degree in Business Administration from Duke University in North Carolina and a Bachelor of Science degree in Industrial Engineering from Iowa State University.

IAIN S. KENNEDY has been a Senior Vice President of Celestica since October 1996. He currently is responsible for Celestica's integration of acquisitions and South America. Prior to that, he was Senior Vice President, Mergers and Acquisitions from 1996 through 2000. He began his career with IBM Canada in 1984 and, over the course of his career, has held a number of key management positions in areas of the business including: supply chain, manufacturing operations, business development and information technology as chief information officer. Mr. Kennedy holds a Bachelor of Science degree in Computer Science from the University of Western Ontario and a Master of Business Administration (Ivey Scholar) degree from the Richard Ivey School of Business, University of Western Ontario.

DONALD S. MCCREESH joined Celestica in August 1999 as Senior Vice President, Human Resources. Prior to joining Celestica, he was the Executive Vice President of Human Resources at the Canadian Imperial Bank of Commerce (CIBC). Prior to joining CIBC in 1997, Mr. McCreesh was at Northern Telecom, where he held a number of senior human resource management positions. Mr. McCreesh holds both a Bachelor of Psychology and a Master of Business Administration degree from McMaster University.

DANIEL P. SHEA has been a Senior Vice President of Celestica since October 1996 and has been Chief Technology Officer since March 1998. He is also the General Manager, Hewlett-Packard Global Account and

previously was President, Power Systems Division of Celestica where he was responsible for all aspects of Celestica's power systems business. Mr. Shea joined IBM Canada in 1980 and, over the course of his career, has held a number of engineering management roles, such as quality, reliability, procurement and power systems. Mr. Shea holds a Bachelor of Applied Science degree in Electrical Engineering from the University of Toronto.

RAHUL SURI has been the Senior Vice President, Mergers and Acquisitions, since July 2000. He is responsible for Celestica's corporate mergers and acquisitions activities. Prior to joining Celestica, Mr. Suri was a Managing Director in the M&A Group at BMO Nesbitt Burns Investment Banking. Prior to that, he was a partner at the Canadian law firm Davies Ward Phillips & Vineberg LLP. Mr. Suri was also a visiting professor at Queen's University Law School, Ontario for several years, where he taught corporate law and mergers and acquisitions. In 1992, Mr. Suri served as an adviser to the Chairman and the Executive Director of the Ontario Securities and Exchange Commission on policy and legal matters. Mr. Suri holds a Master of Arts degree in Law from Cambridge University, England.

PETER J. BAR has been Vice President and Corporate Controller of Celestica since February 1999. Mr. Bar joined Celestica in March 1998 as the Vice President, Finance-Power Systems. From 1984 to 1998, Mr. Bar held positions of increasing responsibility with the finance group at IBM Canada. Mr. Bar holds a Bachelor of Commerce degree from the University of Toronto and a Chartered

Accountant designation.

ELIZABETH L. DELBIANCO has been Vice President and General Counsel of Celestica since February 1998. She has overall responsibility for the legal affairs of Celestica and is also the Corporate Secretary. Ms. DelBianco came to Celestica following a 13-year career as a senior corporate legal advisor in the telecommunications industry. Ms. DelBianco holds a Bachelor of Arts degree from the University of Toronto, a Bachelor of Laws degree from Queen's University, and a Master of Business Administration degree from the Richard Ivey School of Business, University of Western Ontario. Ms. DelBianco is qualified to practice law in Ontario and New York.

F. GRAHAM THOURET has been Vice President and Corporate Treasurer of Celestica since October 1997. Prior to that, he served as Vice President and Treasurer of Dominion Textile Inc., a public company with international manufacturing and marketing operations. Mr. Thouret has also held senior management positions in the oil and gas industry and investment banking. Mr. Thouret holds a Bachelor of Engineering degree from McGill University and a Master of Science degree in Management from the Massachusetts Institute of Technology.

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

#### B. COMPENSATION

##### AGGREGATE COMPENSATION OF DIRECTORS AND OFFICERS

Directors who are not officers or employees of Celestica or Onex receive compensation for their services as directors. These directors receive an annual retainer fee of \$25,000 and a fee of \$2,500 for each meeting attended. Meetings of directors are expected to occur at least quarterly. In lieu of receiving such retainer and attendance fees in cash, these directors may elect, at the time they are first elected or appointed to Celestica's board of directors, to receive their fees in subordinate voting shares. Directors who joined the Board at or about the time of Celestica's initial public offering receive an annual retainer and per meeting fee of 2,860 and 286 subordinate voting shares respectively. Under the Directors' Compensation Plan adopted in July 2001, the number of shares to be paid to other eligible directors in lieu of cash is calculated, in the case of meeting fees, by dividing the cash fee that would otherwise be payable by the closing price of subordinate voting shares on the NYSE on the date of the meeting, and, in the case of annual retainer fees, by dividing the cash amount that would otherwise be payable quarterly by the closing price of subordinate voting shares on the NYSE on the last day of the quarter. Each director has the right to elect to defer payment of his fees. Grants of subordinate voting shares for such purposes may not exceed an aggregate of 500,000 subordinate voting shares. The aggregate compensation paid in 2001 by the Company to our directors in their capacity as directors was \$50,000 and the right to receive, in the aggregate, 18,482.41 subordinate voting shares. The delivery of these shares was deferred until the respective directors cease to be directors of Celestica. See "-- Long-Term Incentive Plan."

42

Mr. Crandall, in his capacity as Chairman of the Executive Committee, also receives an annual grant of 10,000 Performance Units convertible into subordinate voting shares upon his retirement from the Board.

In 2001, each of the eligible directors was issued options to acquire 20,000 subordinate voting shares pursuant to the Long-Term Incentive Plan. 80,000 options were issued at an exercise price of \$44.23 and 40,000 options were issued at an exercise price of \$35.95.

As of March 1, 2002, senior officers and directors as a group held options to purchase a total of the following numbers of subordinate voting shares at the purchase price per share indicated below:

NUMBER OF SUBORDINATE VOTING SHARES	PURCHASE PRICE PER SHARE
-----	-----

710,379	\$ 5.00
399,190	\$ 8.75
69,700	\$ 7.50
373,880	C\$ 18.90
30,000	\$ 12.345
23,000	C\$ 20.625
80,000	C\$ 31.85
70,000	\$ 22.97
542,000	C\$ 57.845
60,000	\$ 39.03
100,000	C\$ 60.00
276,000	C\$ 86.50
62,000	\$ 56.1875
25,000	C\$ 73.50
100,000	\$ 50.00
526,400	C\$ 66.06
144,000	\$ 41.89
40,000	C\$ 34.50
40,000	\$ 23.41
40,000	C\$ 72.60
40,000	\$ 48.69
40,000	C\$ 66.78
40,000	\$ 44.23
40,000	\$ 35.95

These options expire at various dates from November 4, 2005 through December 4, 2011. See Item 6(E), "-- Share Ownership -- Share Purchase and Option Plans" below. See Note 11 to the Consolidated Financial Statements in Item 18 for further information about options.

43

#### REMUNERATION OF NAMED EXECUTIVE OFFICERS

The following table sets forth the compensation of the Chief Executive Officer of Celestica and the four other most highly compensated executive officers of Celestica during the year ended December 31, 2001 (collectively, the "Named Executive Officers") for services rendered in all capacities during our two most recently completed financial years.

#### SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	ANNUAL COMPENSATION (1)			LONG-TERM COMPENSATION AWARDS	ALL OTHER COMPENSATION (3)
	YEAR	SALARY	BONUS	SECURITIES UNDER OPTIONS GRANTED (2)	
				(#)	
		(\$)	(\$)		(\$)
Eugene V. Polistuk.....	2001	700,000	--	150,000	210,737
Chairman of the Board and Chief Executive Officer	2000	550,000	1,300,000	100,000	193,029
J. Marvin M(a)Gee.....	2001	516,250	--	135,000	57,773
President and Chief Operating Officer	2000	360,000	510,000	40,000	31,809
Anthony P. Puppi.....	2001	400,000	--	59,000	51,822
Executive Vice President, Chief Financial Officer and General Manager, Global Services	2000	370,000	524,000	35,000	47,121
R. Thomas Tropea.....	2001	400,000	--	59,000	10,200
Vice Chair, Global Customer Units and Worldwide Marketing and Business Development	2000	350,000	495,000	35,000	5,100
Stephen Delaney(4).....	2001	204,694	150,000 (5)	140,000 (6)	154,500 (7)
Senior Vice President, U.S., Celestica Corporation					

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

(2) See table under "Options Granted During Year Ended December 31, 2001 to

Named Executive Officers."

- (3) Represents amounts set aside to provide benefits under Celestica's pension plans (see "-- Pension Plans").
- (4) Mr. Delaney joined Celestica in May 2001. The amount specified represents Mr. Delaney's salary from his date of hire to the end of the year.
- (5) Represents the amount Celestica agreed to pay to Mr. Delaney at his date of hire as a bonus for the year ended December 31, 2001.
- (6) Includes 100,000 options granted to Mr. Delaney upon joining Celestica.
- (7) Includes \$150,000 paid to Mr. Delaney at his date of hire.

44

#### OPTIONS GRANTED DURING YEAR ENDED DECEMBER 31, 2001 TO NAMED EXECUTIVE OFFICERS

The following table sets out options to purchase subordinate voting shares granted by the Corporation to the Named Executive Officers during the year ended December 31, 2001.

NAME	SUBORDINATE VOTING SHARES UNDER OPTIONS GRANTED (1) (#)	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN 2001	EXERCISE PRICE (\$/SHARE)	MARKET VALUE OF SUBORDINATE VOTING SHARES ON THE DATE OF GRANT (\$/SHARE)	EXPIRATION DATE
Eugene V. Polistuk.....	150,000	1.89%	C\$66.06	C\$66.06	December 4, 2011
J. Marvin M(a)Gee.....	25,000	0.32%	C\$73.50	C\$73.50	March 1, 2011
	110,000	1.39%	C\$66.06	C\$66.06	December 4, 2011
Anthony P. Puppi.....	59,000	0.75%	C\$66.06	C\$66.06	December 4, 2011
R. Thomas Tropea.....	59,000	0.75%	U.S.\$41.89	U.S.\$41.89	December 4, 2011
Stephen Delaney.....	100,000	1.26%	U.S.\$50.00	U.S.\$50.00	April 20, 2011
	40,000	0.51%	U.S.\$41.89	U.S.\$41.89	December 4, 2011

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- (1) Options vest in four equal annual instalments.

#### OPTIONS EXERCISED DURING MOST RECENTLY COMPLETED FINANCIAL YEAR AND VALUE OF OPTIONS AT DECEMBER 31, 2001 FOR NAMED EXECUTIVE OFFICERS

The following table sets out certain information with respect to options to purchase subordinate voting shares that were exercised by Named Executive Officers during the year ended December 31, 2001 and with respect to subordinate voting shares under option to the Named Executive Officers as at December 31, 2001.

NAME	SUBORDINATE VOTING SHARES ACQUIRED ON EXERCISE	AGGREGATE VALUE REALIZED (1)	UNEXERCISED OPTIONS AT DECEMBER 31, 2001 EXERCISABLE/UNEXERCISABLE	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT DECEMBER 31, 2001 (2) EXERCISABLE/UNEXERCISABLE
Eugene V. Polistuk.....	44,607	\$1,563,921	390,267/405,566 (3)	\$9,828,562/\$3,769,418
J. Marvin M(a)Gee.....	--	--	155,212/235,920 (3)	\$3,672,565/\$1,226,996
Anthony P. Puppi.....	42,567	\$1,701,264	126,395/161,170 (3)	\$2,595,020/\$1,367,221
R. Thomas Tropea.....	--	--	183,664/213,526 (4)	\$4,474,479/\$2,998,853
Stephen Delaney.....	--	--	-- /140,000 (4)	-- / --

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- (1) Based on the closing price of the underlying shares on The New York Stock Exchange on the date of exercise of the options.
  - (2) Based on the closing price of the subordinate voting shares on The New York Stock Exchange on December 31, 2001 of \$40.39.
  - (3) Options granted under the ESPO Plans and the Long-Term Incentive Plan.
  - (4) Options granted under the Long-Term Incentive Plan.

#### PENSION PLANS



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

Mr. M(a)Gee is enrolled in the defined contribution portion of the Canadian Pension Plan. Messrs. Polistuk and Puppi participate only in the defined benefit portion of the Canadian Pension Plan. Messrs. Polistuk, Puppi and M(a)Gee also participate in an unregistered supplementary pension plan (the "Supplementary Plan") that provides benefits equal to the difference between the benefits determined in accordance with the formula set out in the Canadian Pension Plan and Canada Customs and Revenue Agency maximum pension benefits.

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

45

managers. Celestica's contributions range from 3% of earnings to a maximum of 6.75% of earnings based on the number of years of service. Retirement benefits depend upon the performance of the investment options chosen.

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 for Messrs. Polistuk and Puppi.

CANADA PENSION PLAN TABLE(1) (2)

EARNINGS AVERAGE (\$)	15 YEARS OF SERVICE	20 YEARS OF SERVICE	25 YEARS OF SERVICE	30 YEARS OF SERVICE	35 YEARS OF SERVICE
300,000.....	\$30,000	\$40,000	\$ 65,000	\$ 95,000	\$ 95,000
400,000.....	\$39,000	\$52,000	\$ 84,000	\$124,000	\$124,000
500,000.....	\$48,000	\$64,000	\$103,000	\$153,000	\$153,000
600,000.....	\$57,000	\$76,000	\$123,000	\$181,000	\$181,000

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

(2) All amounts shown are converted into U.S. dollars from Canadian dollars at an exchange rate of U.S.\$1.00 = C\$1.5911.

The benefit provided under the defined benefit portion of the Canadian Pension Plan for each of the officers who participate in the plan is equal to the benefit entitlement accrued under the relevant IBM plan prior to October 22, 1996 plus the greater of 1.2% of earnings (salary and bonus) or 0.9% of earnings up to the yearly maximum pensionable earnings ("YMPE") level, plus 1.45% of earnings above the YMPE. The defined benefit portion of the Canadian Pension Plan is of a modified career average design with pre-1999 benefits based on the three-year earnings average at December 31, 1998. 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.

As at December 31, 2001, Messrs. Polistuk and Puppi had completed 33 and 22 years of service, respectively.

During the year ended December 31, 2001, Celestica set aside an aggregate amount of \$321,303 to provide pension benefits for Messrs. Polistuk, Puppi and M(a)Gee pursuant to the Canadian Pension Plan. No other amounts were set aside or accrued by Celestica during the year ended December 31, 2001 for the purpose of providing pension, retirement or similar benefits for Messrs. Polistuk, Puppi and M(a)Gee pursuant to any other plans.

Messrs. Tropea and Delaney participate in the "U.S. Plan." The U.S. Plan qualifies as a deferred salary arrangement under section 401 of the Internal Revenue Code (United States). Under the U.S. Plan, participating employees may defer a portion of their pre-tax earnings not to exceed 15% of their total compensation. Celestica, at its discretion, may make contributions for the

benefit of eligible employees.

During the year ended December 31, 2001, Celestica contributed \$14,700 to the U.S. Plan for the benefit of Messrs. Tropea and Delaney. Except as described above, no other amounts were set aside or accrued by Celestica during the year ended December 31, 2001 for the purpose of providing pension, retirement or similar benefits for Mr. Tropea.

#### EMPLOYMENT AGREEMENTS

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

46

#### INDEMNIFICATION AGREEMENTS

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

#### C. BOARD PRACTICES

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

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

#### BOARD COMMITTEES

The Board of Directors has established three standing committees of three directors, each with a specific mandate. The Executive Committee includes a majority of unrelated directors. The Audit Committee and Compensation Committee are each composed of unrelated directors.

##### EXECUTIVE COMMITTEE

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

##### AUDIT COMMITTEE

The Audit Committee, which consists of Mr. Love, Mr. Martin and Mr. Melman, selects and engages, on behalf of Celestica, the independent public accountants to audit Celestica's annual financial statements, and reviews and approves the planned scope of the annual audit. The Audit Committee has direct communication channels with the auditors to discuss and review specific issues as appropriate. The Audit Committee's duties include the responsibility for reviewing financial statements with management and the auditors, monitoring the integrity of the Celestica's management information systems and internal control procedures, and reviewing the adequacy of the Celestica's processes for identifying and managing

risk.

# COMPENSATION COMMITTEE

The Compensation Committee approves Celestica's executive compensation policies and establishes remuneration levels of Celestica's executive officers and performs such functions as provided for under Celestica's employee benefit programs and executive compensation programs. The Compensation Committee consists of Mr. Melman, Mr. Tapscott and Mr. Etherington, all of whom are unrelated to Celestica. John Walter was a member of the Compensation Committee until his retirement from the Board of Directors in June, 2001. Mr. Walter is also unrelated to Celestica.

47

## D. EMPLOYEES

Celestica has over 40,000 permanent and temporary (contract) employees worldwide as of December 31, 2001. The following table sets forth information concerning our employees by geographic location:

DATE	NUMBER OF EMPLOYEES		
	AMERICAS	EUROPE	ASIA
December 31, 1999.....	10,600	3,000	4,900
December 31, 2000.....	16,000	6,000	7,000
December 31, 2001.....	17,500	7,500	15,000

During the year ended December 31, 2001, approximately 9,000 temporary (contract) employees were engaged by Celestica worldwide. During the year ended December 31, 2001, approximately 9,700 employees, including temporary (contract) employees, were terminated as a result of restructuring actions announced during the year. See Note 13 to the Consolidated Financial Statements in Item 18 for further information on the restructuring.

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

## E. SHARE OWNERSHIP

The following table sets forth certain information concerning the direct and beneficial ownership of shares of Celestica at March 1, 2002 by each director who holds shares and each of the Named Executive Officers and all directors and executive officers of Celestica as a group. Unless otherwise noted, the address of each of the shareholders named below is Celestica's principal executive office. In this table, multiple voting shares are referred to as "MVS" and subordinate voting shares are referred to as "SVS."

NAME OF BENEFICIAL OWNER(1)	MARCH 1, 2002		
	VOTING SHARES	PERCENTAGE OF CLASS/ALL EQUITY SHARES	PERCENTAGE OF VOTING POWER
Eugene V. Polistuk.....	512,826 SVS	*/*	*
Anthony P. Puppi.....	235,401 SVS	*/*	*
Robert L. Crandall.....	80,000 SVS	*/*	*
William E. Etherington.....	10,000 SVS	*/*	*
Mark L. Hilson(2) (3).....	438,792 SVS	*/*	*
Richard S. Love.....	75,000 SVS	*/*	*
Roger L. Martin.....	43,000 SVS	*/*	*
Anthony R. Melman(2) (4).....	450,000 SVS	*/*	*
Gerald W. Schwartz(2) (5).....	39,065,950 MVS	100.0%/17.0%	83.7%
	4,136,228 SVS	2.2%/1.8%	*
Don Tapscott.....	63,000 SVS	*/*	*
J. Marvin M(a)Gee.....	205,212 SVS	*/*	*
R. Thomas Tropea.....	263,664 SVS	*/*	*
Stephen Delaney.....	1,400 SVS	*/*	*

All directors and executive officers as a group			
(24 persons) (3) (4) (5) (6) .....	39,065,950 MVS	100.0%/17.0%	83.7%
	6,828,779 SVS	3.6%/3.0%	*
Total percentage of all equity shares and total			
percentage of voting power.....		20.0%	84.2%

\* 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

48

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. Unless otherwise indicated, the address for each shareholder is: c/o Celestica Inc., 12 Concorde Place, Toronto, Ontario M3C 3R8.

- (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 20,000 subordinate voting shares beneficially owned by Mr. Hilson's spouse (as to which Mr. Hilson disclaims beneficial ownership), 26,000 subordinate voting shares beneficially owned by a trust the beneficiaries of which are members of Mr. Hilson's family (as to which Mr. Hilson disclaims beneficial ownership) and 277,326 subordinate voting shares owned by Onex which are subject to options granted to Mr. Hilson pursuant to certain management investment plans of Onex.
- (4) Includes 274,588 subordinate voting shares owned by Onex which are subject to options granted to Mr. Melman pursuant to certain management investment plans of Onex.
- (5) Includes 159,992 subordinate voting shares owned by a company controlled by Mr. Schwartz and all of the shares of Celestica beneficially owned by Onex, of which 1,077,500 subordinate voting shares are subject to options granted to Mr. Schwartz pursuant to certain management incentive plans of Onex. Mr. Schwartz, a director of Celestica, is the Chairman of the Board, President and Chief Executive Officer of Onex and controls Onex through his ownership of shares, with a majority of the voting rights attaching to all shares of Onex. Accordingly, Mr. Schwartz may be deemed to be the beneficial owner of shares of Celestica beneficially owned by Onex.
- (6) Includes 479,500 subordinate voting shares held by Towers Perrin Share Plan Services, in trust for Celestica Employee Nominee Corporation as agent for and on behalf of individual Celestica executives, pursuant to the provisions of Celestica employee benefit plans, and 535,186 subordinate voting shares which are subject to options.

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

#### SHARE PURCHASE AND OPTION PLANS

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

Pursuant to the ESPO Plans, employees and executives of Celestica were offered the opportunity to purchase subordinate voting shares and, in connection with such purchase, receive options to acquire an additional number of subordinate voting shares based on the number of subordinate voting shares acquired by them under the ESPO Plans (on average, approximately 1.435 options

for each subordinate voting share acquired under the ESPO Plans). In each case, the exercise price for the options is equal to the price per share paid for the corresponding subordinate voting shares acquired under the ESPO Plans.

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

As at March 1, 2002, approximately 7,000 persons held options to acquire an aggregate of approximately 23,756,000 subordinate voting shares. Most of these options were issued pursuant to the ESPO and LTIP Plans. The following table sets forth information with respect to options outstanding as at March 1, 2002.

49

#### OUTSTANDING OPTIONS

BENEFICIAL HOLDERS	NUMBER OF SUBORDINATE VOTING SHARES UNDER OPTION	EXERCISE PRICE	YEAR OF ISSUANCE	DATE OF EXPIRY
-----	-----	-----	-----	-----
Executive Officers				
(15 persons in total).....	710,379	\$5.00	During 1997	April 8, 2007(1)
	302,890	\$7.50 - \$8.75	During 1998	April 29, 2008 to July 3, 2008
	403,880	\$12.345/C\$18.90	January 1, 1999	January 1, 2009
	23,000	C\$20.625	February 11, 1999	February 11, 2009
	80,000	C\$31.85	July 2, 1999	July 2, 2009
	70,000	\$22.97	September 20, 1999	September 20, 2009
	602,000	\$39.03/C\$57.845	December 7, 1999	December 7, 2009
	100,000	C\$60.00	May 26, 2000	May 26, 2010
	338,000	\$56.1875/C\$86.50	December 5, 2000	December 5, 2010
	25,000	C\$73.50	March 1, 2001	March 1, 2011
	100,000	\$50.00	April 20, 2001	April 20, 2011
	670,400	\$41.89/C\$66.06	December 4, 2001	December 4, 2011
Directors who are not				
Executive Officers.....	166,000	\$8.75	During 1998	July 7, 2008
	80,000	\$23.41/C\$34.50	July 7, 1999	July 7, 2009
	80,000	\$48.69/C\$72.60	July 7, 2000	July 7, 2010
	80,000	\$44.23/C\$66.78	July 7, 2001	July 7, 2011
	40,000	\$35.95	October 22, 2001	October 22, 2011
All other Celestica Employees				
(other than IMS) (more than				
6,000 persons in total).....	3,741,079	\$5.00	During 1997	April 8, 2007(2)
	767,864	\$7.50 - C\$14.05	During 1998	April 29, 2008 to November 9, 2008
	715,295	\$13.69 - C\$21.45	January 1, 1999 to March 17, 1999	January 1, 2009 to March 17, 2009
	2,198,175	\$39.03/C\$57.845	December 7, 1999	December 7, 2009
	615,055	\$13.65 - C\$53.75	During 1999	January 1, 2009 to December 31, 2009
	1,118,289	\$40.06 - C\$123.65	During 2000	January 1, 2010 to December 31, 2010
	2,478,855	\$56.1875/C\$86.50	December 5, 2000	December 5, 2010
	1,388,050	\$49.00 - C\$108.45	During 2001	January 1, 2011 to December 31, 2011
	5,613,020	\$41.89/C\$66.06	December 4, 2001	December 4, 2011
	94,600	\$40.76 - C\$70.81	January 1, 2002 to March 1, 2002	January 1, 2012 to March 1, 2012
IMS Employees.....	953,562(3)	\$0.925 - 13.31(4)	December 30, 1998	June 13, 2006 to December 18, 2008
Primetech Employees(5).....	31,793	C\$47.73	June 29, 1998	June 29, 2003
	60,053	C\$65.91	July 14, 1999	July 14, 2004
	96,250	C\$97.73 - C\$111.36	February 15, 2000 to June 15, 2000	February 15, 2005 to June 15, 2005
	32,560	C\$45.45 - C\$67.05	January 10, 2001 to March 16, 2001	January 10, 2006 to March 16, 2006

(1) Except for 10,140 options which expire on November 4, 2005.

(2) Except for 289,740 options which expire on November 4, 2005.

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

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

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

50

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

#### LONG-TERM INCENTIVE PLAN

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

Under the Plan, up to 23,000,000 subordinate voting shares of Celestica may be issued from treasury. At the annual special meeting of Celestica shareholders held April 17, 2002, shareholders approved an increase to the number of subordinate voting shares that may be issued from treasury under the Plan to 29,000,000. The number of subordinate voting shares which may be issued from treasury under the Plan to directors is limited to 2,000,000. In addition, Celestica may satisfy obligations under the Plan by acquiring subordinate voting shares in the market. The LTIP limits the number of subordinate voting shares which may be reserved for issuance to insiders or any one participant pursuant to options or rights granted pursuant to the Plan, together with subordinate voting shares reserved for issuance under any other employee-related plan of Celestica or options for services granted by Celestica, to 10% and 5%, respectively, of the aggregate issued and outstanding subordinate voting shares and multiple voting shares of Celestica.

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

Celestica may arrange for financial assistance, by way of loans or otherwise, to eligible participants to acquire subordinate voting shares upon the exercise of options under the Plan, on such terms and conditions as the board of directors determines.

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

Upon the issuance of performance units, eligible participants will be entitled to receive grants of subordinate voting shares, with such shares to be issued at the then market price of subordinate voting shares. The issue of such shares may be subject to vesting requirements similar to those described above with respect to the exercisability of options and SARs, including such time or performance-based conditions as may be determined by the board of directors in

its discretion. The number of subordinate voting shares which may be issued from the treasury of Celestica under the performance unit program is limited to 2,000,000 and the number of subordinate voting shares which may be issued pursuant to the performance unit program to any one person shall not exceed 1% of the aggregate issued and outstanding subordinate voting shares and multiple voting shares of Celestica.

51

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

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

#### EMPLOYEE SHARE OWNERSHIP PLAN

The purpose of the Employee Share Ownership Plan ("ESOP") is to enable eligible employees and directors ("Eligible Participants") of Celestica to acquire subordinate voting shares, so as to encourage continued employee interest in the operation, growth and development of Celestica, as well as to provide an additional investment opportunity to employees and directors. The ESOP enables Eligible Participants to acquire subordinate voting shares from shares acquired by an administrator in the market. Under the ESOP, an Eligible Participant who is an employee may elect to contribute an amount by deduction from each regular payroll, representing no more than 10% of his or her compensation. A participant who is a director may elect to designate all or a portion of his or her cash retainer fees, meeting fees, committee or similar fees as a contribution under the ESOP. Celestica will contribute 25% of the amount of the contributions of employees, up to a maximum total for each contribution of 1% of the employee's compensation for the relevant payroll period. Unless otherwise determined by Celestica, no Celestica contribution shall be made for contributions by directors. The ESOP provides for vesting conditions relating to shares acquired under the ESOP using Celestica contributions. Under the ESOP, following each payroll period, an administrator acquires in the market subordinate voting shares for the purposes of satisfying purchases by Eligible Participants under the ESOP, using funds contributed by employees and Celestica. The ESOP also provides that participation in the Plan by Eligible Participants is not a condition of employment of an Eligible Participant.

#### ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

##### A. MAJOR SHAREHOLDERS

The following table sets forth certain information concerning the direct and beneficial ownership of the shares of Celestica at March 1, 2002 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. Unless otherwise noted, the address of each of the shareholders named below is our 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)	VOTING SHARES	MARCH 1, 2002	
		PERCENTAGE OF CLASS/ALL EQUITY SHARES	PERCENTAGE OF VOTING POWER
Onex Corporation(2) (3) (4) .....	39,065,950 MVS 3,976,236 SVS	100.0%/17.0% 2.1%/1.7%	83.7% *

Gerald W. Schwartz(2) (4) (5).....	39,065,950 MVS	100.0%/17.0%	83.7%
	4,136,228 SVS	2.2%/1.8%	*
Total percentage of all equity shares and total percentage of voting power.....		18.8%	84.0%
AIM Management Group Inc.(6) (7).....	21,620,297 SVS	11.3%/9.4%	1.9%
Janus Capital Corporation(8) (9).....	9,947,680 SVS	5.2%/4.3%	*

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\* Less than 1%.

52

- (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) 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, 1,909,980 subordinate voting shares held by Towers Perrin Share Plan Services in trust for Celestica Employee Nominee Corporation, as agent for and on behalf of certain executives and employees of Celestica pursuant to certain of Celestica's employee share purchase and option plans, 33,754 subordinate voting shares representing an undivided interest of approximately 10.2% in 330,872 subordinate voting shares, and 404,128 subordinate voting shares directly or indirectly held by certain officers of Onex which Onex has the right to vote.

Of these shares, 9,214,320 subordinate voting shares may be delivered, at the issuer's option, upon the exercise or redemption, or at maturity or acceleration, of exchangeable debentures due 2025 issued by a subsidiary of Onex. In addition, 1,757,467 subordinate voting shares may be delivered, at the option of Onex or certain persons related to Onex, to satisfy the obligations of such persons under equity forward agreements. If a debenture is exercised or an equity forward agreement is settled and the issuer does not elect or the party to an equity forward agreements does not elect to satisfy its obligation in cash rather than delivering subordinate voting shares, if the issuer or the party to the equity forward agreements, as the case may be, does not have sufficient subordinate voting shares to satisfy the obligations, the requisite number of multiple voting shares held by such person will immediately be converted into subordinate voting shares, which shares will be delivered to satisfy such obligations.

The shares Onex owns and the shares Onex has the right to vote represent in the aggregate 84.0% of the voting power of all Celestica shares. If the issuer of the exchangeable debentures due 2025 or the party to the equity forward agreement, as the case may be, elects to deliver solely subordinate voting shares and no cash upon the exchange or redemption, or at maturity or acceleration, of the debentures or at the settlement of the equity forward agreement, as the case may be, the shares that Onex owns and the shares Onex has the right to vote would, if the shares were delivered on March 1, 2002, represent in the aggregate 78% of the voting power of all Celestica shares.

- (4) Multiple voting shares and subordinate voting shares have different voting rights. Information concerning voting rights is set forth in Item 10, "Additional Information -- Memorandum and Articles of Incorporation -- Multiple Voting Shares and Subordinate Voting Shares."
- (5) Includes 159,992 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 and 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. He controls Onex through his



ownership of shares with a majority of the voting rights attaching to all shares of Onex. Accordingly, Mr. Schwartz may be deemed to be the beneficial owner of shares of Celestica beneficially owned by Onex.

- (6) The address of such shareholder is: 11 Greenway Plaza, Suite 100, Houston, Texas 77046.
- (7) The information concerning this shareholder's ownership of subordinate voting shares was obtained from the shareholder's Schedule 13G filed with the Securities and Exchange Commission on February 6, 2002.
- (8) The address of such shareholder is: 100 Fillmore Street, Denver, Colorado 80206-4923.
- (9) The information concerning this shareholder's ownership of subordinate voting shares was obtained from the shareholder's Schedule 13G filed with the Securities and Exchange Commission on February 8, 2002.

#### HOLDERS

On March 1, 2002, there were approximately 1,549 holders of record of subordinate voting shares, of which approximately 337 holders, holding approximately 44% of the outstanding subordinate voting shares, were resident in the United States.

On March 1, 2002, there was one holder of record of the Senior Subordinated Notes; the holder of record was in the United States.

On March 1, 2002, there was one holder of record of the Liquid Yield Option-TM- Notes due 2020; the holder of record was in the United States.

53

#### B. RELATED PARTY TRANSACTIONS

##### INTEREST OF MANAGEMENT IN CERTAIN TRANSACTIONS

Celestica and Onex are parties to a Management Services Agreement under which Onex has agreed to provide management, administrative, strategic planning, financial and support services to Celestica of such nature as Celestica may reasonably request from time to time having regard to Onex's experience, expertise and personnel or the personnel of its subsidiaries, as the case may be. Celestica has agreed to pay Onex certain fees under the Management Services Agreement equal to \$2.0 million per year adjusted for changes in the Canadian consumer price index. The Management Services 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. The Management Services Agreement has a term of five years, commencing July 7, 1998, with automatic renewal for successive one-year periods thereafter, subject to termination on 12 months' prior written notice at any time after the initial five-year term by the directors of Celestica who are independent of Celestica and Onex, and provided that in any event the Management Services Agreement, and the rights of Onex to receive fees (other than accrued and unpaid fees), will terminate 30 days after the first day upon which Onex ceases to hold at least one multiple voting share. During 2001, Celestica paid to Onex management fees of approximately \$2.1 million.

##### INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS

As at March 1, 2002, Celestica had guaranteed \$4,401,372 aggregate indebtedness of certain officers and employees of Celestica incurred in connection with the purchase of subordinate voting shares. The following table sets forth details of such guarantees by Celestica of indebtedness of the directors and officers of Celestica.

##### INDEBTEDNESS OF SENIOR OFFICERS UNDER SECURITIES PURCHASE PROGRAMS

NAME AND PRINCIPAL POSITION	LARGEST AMOUNT	AMOUNT
	OUTSTANDING	OUTSTANDING AS AT
	DURING 2001(1)	MARCH 1, 2002(1)(2)

-----	-----	-----
J. Marvin M(a)Gee..... President and Chief Operating Officer	\$155,391	\$155,391
R. Thomas Tropea..... Vice Chair, Global Customer Units and Worldwide Marketing and Business Development	\$407,396	\$407,396
Alastair Kelly..... Executive Vice President, Corporate Development	\$134,805	nil
Daniel P. Shea..... Senior Vice President and Chief Technology Officer	\$280,998	\$280,998
Rahul Suri..... Senior Vice President, Mergers and Acquisitions	\$957,108	\$957,108
F. Graham Thouret..... Vice President and Corporate Treasurer	\$ 97,383	nil
Peter J. Bar..... Vice President and Corporate Controller	\$ 92,957	nil
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- (1) All amounts shown are converted into U.S. dollars from Canadian dollars at an exchange rate of U.S.\$1.00 = C\$1.5955 and from British pounds sterling at an exchange rate of \$1.00 = L0.7047.
- (2) All guaranteed amounts incur interest at a rate equal to certain commercial banks' prime lending rates. The security for each of the guaranteed amounts is the purchased subordinate voting shares.

54

No securities were purchased by any director or officer during 2001 with the financial assistance of Celestica. No director, officer or employee was indebted to Celestica other than in connection with securities purchase programs during the year ended December 31, 2001.

#### 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 not a party to any legal proceedings which, if decided adversely, could reasonably be expected to have a material adverse effect on the results of operations, business, prospects or financial condition of Celestica.

##### 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, the board of directors does not anticipate paying any dividends for the foreseeable future. Celestica's board of directors will review this policy from time to time, having regard to our financial condition, financing requirements and other relevant factors. In addition, our Senior Subordinated Notes due 2006 include a covenant restricting our ability to pay dividends, and our credit facilities contain financial covenants that may indirectly restrict our ability to pay dividends.

##### B. SIGNIFICANT CHANGES

See Note 21 of the Consolidated Financial Statements in Item 18 for information on significant changes.

##### 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 "TSE"). The market price range and trading volume of the subordinate voting shares on the NYSE and the TSE for the periods indicated are set forth in the following tables, which have been restated to reflect the effect of the 1999 two-for-one stock split on a retroactive basis.

### THE ANNUAL HIGH AND LOW MARKET PRICES FOR THE FOUR MOST RECENT FISCAL YEARS(1)

	NYSE		
	HIGH	LOW	VOLUME
	Price per Subordinate Voting Share		
Year ended December 31, 1998 (from June 30, 1998).....	\$13.75	\$ 5.19	22,165,800
Year ended December 31, 1999.....	57.00	12.06	115,803,800
Year ended December 31, 2000.....	87.00	35.50	314,486,100
Year ended December 31, 2001.....	76.40	20.69	602,213,700

	TSE		
	HIGH	LOW	VOLUME
	Price per Subordinate Voting Share		
Year ended December 31, 1998 (from June 30, 1998).....	C\$ 21.13	C\$ 8.00	33,833,130
Year ended December 31, 1999.....	82.75	18.40	142,584,064
Year ended December 31, 2000.....	128.25	51.05	202,303,300
Year ended December 31, 2001.....	114.00	32.42	323,130,318

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(1) The subordinate voting shares began trading on June 30, 1998.

### THE HIGH AND LOW MARKET PRICES FOR EACH FULL FISCAL QUARTER FOR THE TWO MOST RECENT FISCAL YEARS

	NYSE		
	HIGH	LOW	VOLUME
	Price per Subordinate Voting Share		
Year ended December 31, 2000			
First quarter.....	\$60.06	\$37.56	75,117,400
Second quarter.....	54.56	38.00	39,642,500
Third quarter.....	84.00	48.69	80,355,200
Fourth quarter.....	84.50	46.50	119,371,000
Year ended December 31, 2001			
First quarter.....	\$76.40	\$25.80	143,622,000
Second quarter.....	63.25	24.00	166,006,300
Third quarter.....	50.94	20.69	148,784,400
Fourth quarter.....	48.40	25.41	143,801,000

TSE		
HIGH	LOW	VOLUME
Price per Subordinate Voting Share		

Year ended December 31, 2000

First quarter.....	C\$ 87.40	C\$54.00	61,429,900
Second quarter.....	79.90	57.85	41,617,200
Third quarter.....	123.65	72.60	43,279,500
Fourth quarter.....	128.00	70.80	55,976,600

Year ended December 31, 2001

First quarter.....	C\$114.00	C\$40.75	85,670,137
Second quarter.....	97.50	37.55	81,722,757
Third quarter.....	78.10	32.42	65,423,337
Fourth quarter.....	76.50	40.12	90,314,087

THE HIGH AND LOW MARKET PRICES FOR EACH MONTH FOR THE MOST RECENT SIX MONTHS

NYSE		
HIGH	LOW	VOLUME
Price per Subordinate Voting Share		

October 2001.....	\$40.50	\$25.41	59,375,300
November 2001.....	43.25	33.45	40,140,700
December 2001.....	48.40	38.57	44,285,000
January 2002.....	47.08	39.82	44,725,400
February 2002.....	42.75	32.64	48,792,000
March 2002.....	41.60	32.52	47,626,800

56

TSE		
HIGH	LOW	VOLUME
Price per Subordinate Voting Share		

October 2001.....	C\$64.20	C\$40.12	38,411,316
November 2001.....	68.60	53.12	27,479,085
December 2001.....	76.50	60.76	24,423,686
January 2002.....	75.05	63.60	22,554,639
February 2002.....	67.85	52.20	23,792,155
March 2002.....	65.50	51.89	28,565,524

The LYONs are listed on the NYSE. The market price range of the LYONs on the NYSE for the periods indicated are set forth in the following tables.

THE ANNUAL HIGH AND LOW MARKET PRICES FOR THE LYONS FOR THE TWO MOST RECENT FISCAL YEARS

NYSE	
HIGH	LOW

Year ended December 31, 2000 (from August 1, 2000) (1).....	\$55.83	\$40.05
Year ended December 31, 2001.....	53.74	34.56

(1) The LYONs began trading on August 1, 2000.

THE HIGH AND LOW MARKET PRICES FOR THE LYONS FOR EACH FULL FISCAL QUARTER FOR  
THE TWO MOST RECENT FISCAL YEARS

	NYSE	
	HIGH	LOW
Year ended December 31, 2000 (from August 1, 2000) (1)		
Third quarter.....	\$55.83	\$48.75
Fourth quarter.....	55.24	40.05
Year ended December 31, 2001		
First quarter.....	\$53.74	\$35.48
Second quarter.....	48.82	34.56
Third quarter.....	44.24	35.82
Fourth quarter.....	44.72	36.51

(1) The LYONs began trading on August 1, 2000.

THE HIGH AND LOW MARKET PRICES FOR THE LYONS FOR EACH MONTH FOR THE MOST RECENT  
SIX MONTHS

	NYSE	
	HIGH	LOW
October 2001.....	\$41.41	\$36.51
November 2001.....	42.60	40.55
December 2001.....	44.72	42.22
January 2002.....	53.74	34.56
February 2002.....	44.83	41.73
March 2002.....	44.68	41.73

#### B. PLAN OF DISTRIBUTION

Not applicable.

57

#### C. MARKETS

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

Celestica's 10 1/2% Senior Subordinated Notes due 2006 are eligible for trading on the Private Offerings, Resales and Trading through Automated Linkages (PORTAL) market. The Senior Subordinated Notes are not listed on any securities exchange or quoted through NASDAQ. We have not been able to obtain information as to the sales prices of the Senior Subordinated Notes.

Celestica's Liquid Yield Option-TM- Notes (LYONs) due 2020 are listed on the NYSE. In Canada, the LYONs are offered on a private placement basis through Merrill Lynch, Pierce, Fenner & Smith Incorporated and its affiliates. Liquid Yield Option-TM- Notes is a trademark of Merrill Lynch & Co., Inc.

D. SELLING SHAREHOLDERS

Not applicable.

E. DILUTION

Not applicable.

F. EXPENSE OF THE ISSUE

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. SHARE CAPITAL

Not applicable.

B. MEMORANDUM AND ARTICLES OF INCORPORATION

ANNUAL AND SPECIAL MEETINGS OF SHAREHOLDERS

The BUSINESS CORPORATIONS ACT (Ontario), or the OBCA, requires Celestica to call an annual shareholders' meeting not later than 15 months after holding the last preceding annual meeting and permits Celestica to call a special shareholders' meeting at any time. In addition, in accordance with the OBCA, the holders of not less than 5% of Celestica's shares carrying the right to vote at a meeting sought to be held may requisition our directors to call a special shareholders' meeting for the purposes stated in the requisition. Celestica is required to mail a notice of meeting and management information circular to registered shareholders not less than 21 days and not more than 50 days prior to the date of any annual or special shareholders' meeting. These materials also are filed with Canadian securities regulatory authorities and the SEC. Our by-laws provide that a quorum of two shareholders in person or represented by proxy holding or representing by proxy not less than 35% of Celestica's issued shares carrying the right to vote at the meeting is required to transact business at a shareholders' meeting. Shareholders, and their duly appointed proxies and corporate representatives, as well as our auditors, are entitled to be admitted to our annual and special shareholders' meetings.

ARTICLES OF INCORPORATION

Celestica's articles of incorporation do not place any restrictions on Celestica's objects and purposes.

CERTAIN POWERS OF DIRECTORS

The OBCA requires that every director who is a party to a material contract or transaction or a proposed material contract or transaction with a company, or who is a director or officer of, or has a material interest in, any person who is a party to a material contract or transaction or a proposed material contract or transaction with the company, shall disclose in writing to the company or request to have entered in the minutes of the meetings of directors the nature and extent of his or her interest, and shall refrain from voting in respect of the

58

material contract or transaction or proposed material contract or transaction unless the contract or transaction is:

- (a) an arrangement by way of security for money lent to or obligations undertaken by the director for the benefit of the corporation or an affiliate;
- (b) one relating primarily to his or her remuneration as a director, officer, employee or agent of the corporation or an affiliate;
- (c) one for indemnity of or insurance for directors as contemplated under the OBCA; or
- (d) one with an affiliate.

However, a director who is prohibited by the OBCA from voting on a material contract or proposed material contract may be counted in determining whether a

quorum is present for the purpose of the resolution, if the director disclosed his or her interest in accordance with the OBCA and the contract or transaction was reasonable and fair to the corporation at the time it was approved.

Celestica's by-laws provide that the directors shall from time to time determine by resolution the remuneration to be paid to the directors, which shall be in addition to the salary paid to any officer or employee of Celestica who is also a director. The directors may also by resolution award special remuneration to any director in undertaking any special services on Celestica's behalf other than the normal work ordinarily required of a director of Celestica. The by-laws provide that confirmation of any such resolution by Celestica's shareholders is not required.

The by-laws provide that the directors may:

- (a) borrow money upon the credit of Celestica;
- (b) limit or increase the amount to be borrowed;
- (c) issue, reissue, sell or pledge bonds, debentures, notes or other securities or debt obligations of Celestica;
- (d) issue, sell or pledge such bonds, debentures, notes or other securities or debt obligations for such sums and at such prices as may be deemed expedient; and
- (e) mortgage, hypothecate, charge, pledge or otherwise create a security interest in all or any currently owned or subsequently acquired real and personal, movable and immovable, property of Celestica, and Celestica's undertaking and rights to secure any such bonds, debentures, notes or other securities or debt obligations, or to secure any of Celestica's present or future borrowing, liability or obligation.

The directors may, by resolution, amend or repeal any by-laws that regulate the business or affairs of Celestica. The OBCA requires the directors to submit any such amendment or repeal to Celestica's shareholders at the next meeting of shareholders, and the shareholders may confirm, reject or amend the amendment or repeal.

#### ELIGIBILITY TO SERVE AS A DIRECTOR

The by-laws provide that every director shall be an individual 18 or more years of age and that no one who is of unsound mind and has been so found by a court in Canada or elsewhere or who has the status of a bankrupt shall be a director. There is no provision of the articles of incorporation or by-laws imposing a requirement for retirement or non-retirement of directors under an age limit requirement. The OBCA requires that a majority of the directors of Celestica be resident Canadians.

The OBCA provides that unless the articles of a corporation otherwise provide, a director of a corporation is not required to hold shares issued by the corporation. There is no provision in the articles of incorporation imposing a requirement that a director hold any shares issued by Celestica.

59

#### AUTHORIZED CAPITAL OF CELESTICA

Celestica's authorized capital consists of an unlimited number of preference shares issuable in series, an unlimited number of subordinate voting shares and an unlimited number of multiple voting shares.

#### MULTIPLE VOTING SHARES AND SUBORDINATE VOTING SHARES

##### VOTING RIGHTS

The holders of subordinate voting shares and multiple voting shares are entitled to notice of and to attend all meetings of shareholders and to vote at all such meetings together as a single class, except in respect of matters where only the holders of shares of one class or series of shares are entitled to vote separately pursuant to applicable law. The subordinate voting shares carry one vote per share and the multiple voting shares carry 25 votes per share. Generally, all matters to be voted on by shareholders must be approved by a simple majority (or, in the case of election of directors, by a plurality, and in the case of an amalgamation or amendments to the articles of Celestica, by

two-thirds) of the votes cast in respect of multiple voting shares and subordinate voting shares held by persons present in person or by proxy, voting together as a single class. The holders of multiple voting shares are entitled to one vote per share held at meetings of holders of multiple voting shares at which they are entitled to vote separately as a class.

#### DIVIDENDS

The subordinate voting shares and the multiple voting shares are entitled to share ratably, as a single class, in any dividends declared by the board of directors of Celestica, subject to any preferential rights of any outstanding preference shares in respect of the payment of dividends. Dividends consisting of subordinate voting shares and multiple voting shares may be paid only as follows: (i) subordinate voting shares may be paid only to holders of subordinate voting shares, and multiple voting shares may be paid only to holders of multiple voting shares; and (ii) proportionally with respect to each outstanding subordinate voting share and multiple voting share.

#### CONVERSION

Each multiple voting share is convertible at any time at the option of the holder thereof into one subordinate voting share.

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 controlled by such person.

60

In addition, if at any time the number of outstanding multiple voting shares shall represent less than 5% of the aggregate number of the outstanding multiple voting shares and subordinate voting shares, all of the outstanding multiple voting shares shall be automatically converted at such time into subordinate voting shares on a one-for-one basis.

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 take-over bid legislation to which they would have been entitled in the event of a take-over bid for the multiple voting shares if the multiple voting shares had been subordinate voting shares.

#### MODIFICATION, SUBDIVISION AND CONSOLIDATION



Any modification to the provisions attaching to either the subordinate voting shares or the multiple voting shares requires the separate affirmative vote of two-thirds of the votes cast by the holders of subordinate voting shares and multiple voting shares, respectively, voting as separate classes. The Company may not subdivide or consolidate the subordinate voting shares or the multiple voting shares without at the same time proportionally subdividing or consolidating the shares of the other class.

#### CREATION OF OTHER VOTING SHARES

The Company may not create any class or series of shares or issue any shares of any class or series (other than subordinate voting shares) having the right to vote generally on all matters that may be submitted to a vote of shareholders (except matters for which applicable law requires the approval of holders of another class or series of shares voting separately as a class or series) without the separate affirmative vote of two-thirds of the votes cast by the holders of the subordinate voting shares and the multiple voting shares, respectively, voting as separate classes.

#### RIGHTS ON DISSOLUTION

With respect to a distribution of assets in the event of a liquidation, dissolution or winding-up of Celestica, whether voluntary or involuntary, or any other distribution of the assets of Celestica for the purposes of winding up our affairs, holders of subordinate voting shares and multiple voting shares will share ratably as a single class in assets available for distribution to holders of subordinate voting shares and multiple voting shares after payment in full of the amounts required to be paid to holders of preference shares, if any.

#### OTHER RIGHTS

Neither the subordinate voting shares nor the multiple voting shares are redeemable, nor do the holders of such shares have pre-emptive rights to purchase additional shares.

All of the outstanding subordinate voting shares and all of the outstanding multiple voting shares will be fully paid and non-assessable.

#### PREFERENCE SHARES

The articles of Celestica permit the issuance of preference shares in series, without further approval of shareholders. The number of preference shares of each series and the designation, rights, privileges, restrictions and conditions attaching to the shares of each series, including, without limitation, any voting rights (other than general voting rights), any rights to receive dividends or any terms of redemption, shall be determined by the board of directors. The holders of the preference shares are entitled to dividends in priority to the holders of multiple voting shares, the subordinate voting shares or other shares ranking junior to the preference shares. With respect to a distribution of assets in the event of a liquidation, dissolution or winding-up of Celestica, whether voluntary or involuntary, or any other distribution of the assets of Celestica for the purposes of winding up our affairs, the preference shares rank in priority to the multiple voting shares, the subordinate voting shares and any other shares ranking junior to the preference shares.

61

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

The following table summarizes each material contract, 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:

DATE	PARTIES	TYPE	TERMS AND CONDITIONS	APPROXIMATE CONSIDERATION
February 9, 2000, amended	Celestica, Celestica	Quota (Share)	Celestica and Celestica	\$335 million

February 28, 2000 and May 31, 2000	Europe Inc., IBM Italia S.p.A. and IBM Semea Servizi Finanziari S.p.A.	Purchase Agreement	Europe Inc. acquired all the voting stock of WCE Italia S.R.L.	
June 22, 2000	Celestica and NEC do Brasil S.A.	Acquisition Agreement	Celestica acquired all the shares of NDB Industrial Ltda.	\$123 million
December 5, 2000	Celestica Corporation, Celestica Ireland Limited, Motorola, Inc. and Motorola B.V.	Asset Purchase Agreement	Celestica Corporation and Celestica Ireland Limited acquired certain assets from Motorola, Inc. and Motorola B.V. in Dublin, Ireland and Mt. Pleasant, Iowa	\$70 million
February 19, 2001, amended May 4, 2001	Celestica Corporation and Avaya, Inc.	Asset Purchase Agreement	Celestica Corporation acquired certain assets from Avaya in Denver, Colorado and Little Rock, Arkansas	\$200 million
May 31, 2001	Celestica and Primetech Electronics Inc.	Arrangement Agreement	Celestica acquired all of the shares of Primetech Electronics Inc.	\$179 million
June 15, 2001	Omni Industries Limited	Merger Agreement	Celestica acquired all of the shares of Omni Industries Limited	\$865 million
July 24, 2001	Celestica Corporation and Lucent Technologies Inc.	Asset Purchase Agreements	Celestica Corporation acquired certain assets from Lucent in Columbus, Ohio and Oklahoma City, Oklahoma	\$570 million

#### 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

##### CERTAIN 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, deals at arm's length and is not affiliated with the Company, holds such subordinate voting

62

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 that carries on an insurance business in Canada and elsewhere.

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 March 1, 2002, and Celestica's understanding of the current published administrative practices of the Canada Customs and 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.

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 of such dividend will 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 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., 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 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 non-resident, persons with whom the non-resident did not deal at arm's length, or the non-resident 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. For this purpose, a person is considered to own any shares in respect of which the person has or had an option or other interest therein. Provided they are listed on a prescribed stock exchange for purposes of the Canadian Tax Act, 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. 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" (as defined in the Canadian Tax Act) 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.

#### CERTAIN 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 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 U.S. Person. 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 1, 2002, 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 partnership or other pass-through entity. 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 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. 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 30-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.

#### 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 20% rate of taxation for non-corporate taxpayers. Special rules (and generally lower maximum rates) apply to non-corporate taxpayers in lower tax brackets. Further preferential tax treatment may be available for non-corporate taxpayers who dispose of subordinate voting shares held for over five years. 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. The deductibility of a capital loss recognized on the sale, exchange or other disposition of subordinate voting shares is subject to limitations. 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 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. Passive income includes amounts derived by reason of the temporary investment of funds raised in a public offering. 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.
- 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. 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 will not be a PFIC for 2002. Based on our current business plan, we do not expect to become a PFIC in the foreseeable future. These conclusions rest at least in part on factual issues, including a determination as to value of assets and projections as to our revenue. We cannot assure you that our actual revenues, including our revenues for the remainder of 2002, will be as projected or that a determination as to non-PFIC status would not be challenged by the Internal Revenue Service. Moreover, 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. 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. 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 the 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.

#### INFORMATION REPORTING AND BACK-UP WITHHOLDING

United States Holders generally are subject to information reporting requirements and back-up withholding at a current rate of 30% (which rate will be reduced over the next four years in accordance with recently enacted tax legislation) with respect to dividends paid in the United States and on proceeds paid from the disposition of shares, unless the United States Holder (i) is a corporation or comes within certain other exempt categories and demonstrates this fact when so required, or (ii) provides a correct taxpayer identification number, certifies that it is not subject to backup withholdings, and otherwise complies with applicable requirements of the backup withholding 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.

The amount of any back-up withholding will be allowed as a credit against U.S. federal income tax liability and may entitle the Holder to a refund, provided that required information is furnished to the Internal Revenue Service.

#### 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, 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 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. You may also obtain copies of such materials from the Public Reference Section of the SEC, Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., 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

Web site (<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 Web site 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 CSAs, and these can be accessed electronically at the CSAs' System for Electronic Document Analysis and Retrieval web-site at <http://www.sedar.com>.

Not applicable.

## EXCHANGE RATE RISK

Celestica has entered into foreign currency contracts to hedge foreign currency risk. These financial instruments include, to varying degrees, elements of market risk in excess of amounts recognized in the balance sheets. As at December 31, 2001, Celestica had outstanding foreign exchange contracts to sell U.S. \$379.5 million in exchange for Canadian dollars over a period of 17 months at a weighted average exchange rate of U.S.\$0.65, U.S. \$56.6 million in exchange for British pounds sterling over a 15-month period at a weighted average exchange rate of U.S. \$1.40, U.S. \$46.3 million in exchange for Mexican pesos over a period of 12 months at a weighted average rate of exchange of U.S. \$0.10, U.S. \$191.8 million in exchange for Euros over a 15-month period at a weighted average exchange rate of U.S. \$0.88, U.S. \$24.2 million in exchange for Thai baht over a 12-month period at a weighted average exchange rate of U.S. \$0.02 and U.S. \$6.4 million in exchange for Czech koruna over a 12-month period at a weighted average exchange rate of U.S. \$0.03. The table below provides information about Celestica's 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, 2001, these contracts had a fair value liability of U.S. \$7.4 million.

	DECEMBER 31, 2001				
	-----				
	EXPECTED MATURITY DATE				
	-----				
	2002	2003	THEREAFTER	TOTAL	FAIR VALUE GAIN (LOSS)
	-----	-----	-----	-----	-----
FORWARD EXCHANGE AGREEMENTS					
Receive C\$/Pay U.S.\$					
Contract amount.....	\$346.0	\$33.5	\$--	\$379.5	\$ (10.9)
Average exchange rate.....	\$ 0.65	\$0.63		\$ 0.65	
Receive L/Pay U.S.\$					
Contract amount.....	\$ 52.5	\$ 4.1	--	\$ 56.6	\$ 1.4
Average exchange rate.....	\$ 1.40	\$1.37		\$ 1.40	
Receive Mexican Pesos/Pay U.S. \$ Contract amount...	\$ 46.3	--	--	\$ 46.3	\$ 2.2
Average exchange rate.....	\$ 0.10			\$ 0.10	
Receive Euro/Pay U.S.\$					
Contract amount.....	\$178.6	\$13.2	--	\$191.8	\$ (0.6)
Average exchange rate.....	\$ 0.88	\$0.88		\$ 0.88	
Receive Baht/Pay U.S.\$ Contract amount.....	\$ 24.2	--	--	\$ 24.2	\$ 0.2
Average exchange rate.....	\$ 0.02			\$ 0.02	
Receive Koruna/Pay U.S.\$ Contract amount.....	\$ 6.4	--	--	\$ 6.4	\$ 0.3
Average exchange rate.....	\$ 0.03			\$ 0.03	
	-----	-----	-----	-----	-----
Total.....	\$654.0	\$50.8	\$--	\$704.8	\$ (7.4)

Celestica's existing debt is predominantly at fixed rates. The table below provides information about Celestica's financial instruments that are sensitive to changes in interest rates.

	EXPECTED MATURITY DATE							
	2002	2003	2004	2005	2006	THEREAFTER	TOTAL	FAIR VALUE
	(U.S.\$ in millions)							
Long-term debt								
Subordinate debt.....	\$ 0	\$ 0	\$ 0	\$ 0	\$130.0	\$ 0	\$130.0	\$136.5
Fixed rate.....	10.5%	10.5%	10.5%	10.5%	10.5%			
All other obligations (including capital leases).....	10.0	4.5	1.3	0.7	0.6	0.3	17.4	17.4
Total.....	\$ 10.0	\$ 4.5	\$ 1.3	\$ 0.7	\$130.6	\$ 0.3	\$147.4	\$153.9



CONVERTIBLE DEBT (LYONS)

We have issued convertible debt with a principal amount at maturity of \$1.8 billion, payable August 1, 2020. At March 1, 2002, we were not exposed to interest rate risk on this debt because (i) the issue price represents a fixed yield to maturity, (ii) the principal payable at maturity is fixed and (iii) the conversion ratio into subordinate voting shares of Celestica is fixed.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

69

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. [RESERVED]

ITEM 16. [RESERVED]

70

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:

	PAGE
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Auditors' Report.....	F-2
Consolidated Balance Sheets as at December 31, 2000 and 2001.....	F-4
Consolidated Statements of Earnings (Loss) for the years ended December 31, 1999, 2000 and 2001.....	F-5
Consolidated Statements of Shareholders' Equity for the years ended December 31, 1999, 2000 and 2001.....	F-6
Consolidated Statements of Cash Flows for the years ended December 31, 1999, 2000 and 2001.....	F-7
Notes to the Consolidated Financial Statements.....	F-8

ITEM 19. EXHIBITS

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

EXHIBIT NUMBER -----	DESCRIPTION -----
1.	Articles of Incorporation and by-laws as currently in

- effect:
- 1.1 Certificate and Articles of Incorporation(1)
  - 1.2 Certificate and Articles of Amendment effective October 22, 1996(1)
  - 1.3 Certificate and Articles of Amendment effective January 24, 1997(1)
  - 1.4 Certificate and Articles of Amendment effective October 8, 1997(1)
  - 1.5 Certificate and Articles of Amendment effective April 29, 1998(2)
  - 1.6 Articles of Amendment effective June 26, 1998(3)
  - 1.7 Restated Articles of Incorporation effective June 26, 1998(3)
  - 1.8 Bylaw No. 1(4)
  - 1.9 Bylaw No. 2(1)
  - 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(5)
    - 2.3 Indenture, dated as of November 18, 1996, by and among Celestica International Inc., Celestica, Inc., Celestica Corporation and The Chase Manhattan Bank, as Trustee (including forms of the Outstanding Notes and Exchange Notes) (6)
    - 2.4 Guarantee Agreement, dated as of November 18, 1996, between Celestica, Inc. and The Chase Manhattan Bank, as Trustee(6)
    - 2.5 Guarantee Agreement, dated as of November 18, 1996, between Celestica Corporation and The Chase Manhattan Bank, as Trustee(6)

71

EXHIBIT NUMBER -----	DESCRIPTION -----
2.6	Supplemental Indenture, dated as of July 7, 1998, among Celestica International Inc., Celestica Inc. and The Chase Manhattan Bank, as Trustee(3)
2.7	Supplemental Indenture, dated as of May 26, 2000, between Celestica Inc. and The Chase Manhattan Bank, as Trustee(7)
2.8	Indenture, dated as of August 1, 2000, between Celestica Inc. and The Chase Manhattan Bank, as Trustee (including a form of the Outstanding Notes) (8)
2.10	Amended and Restated Credit Agreement, dated as of June 8, 2001, between Celestica Inc., the subsidiaries of Celestica Inc., specified therein as Designated Subsidiaries, The Bank of Nova Scotia, as Administrative Agent, The Bank of Nova Scotia, as Canadian Facility Agent, The Bank of Nova Scotia, as U.S. Facility Agent, The Bank of Nova Scotia, as U.K. Facility Agent, the financial institutions named in Schedule A as Canadian lenders, the financial institutions named in Schedule B as U.S. lenders, and the financial institutions named in Schedule C as U.K. lenders(9)

- 2.11 Amended and Restated Revolving Term Credit Agreement, dated as of June 8, 2001, between Celestica Inc., the subsidiaries of Celestica Inc., specified therein as Designated Subsidiaries, The Bank of Nova Scotia, as Administrative Agent, The Bank of Nova Scotia, as Canadian Facility Agent, The Bank of Nova Scotia, as U.S. Facility Agent, The Bank of Nova Scotia, as U.K. Facility Agent, the financial institutions named in Schedule A as Canadian lenders, the financial institutions named in Schedule B as U.S. lenders, and the financial institutions named in Schedule C as U.K. lenders(9)
- 2.12 Four Year Revolving Term Credit Agreement, dated as of July 31, 2001, among Celestica Inc. and Celestica International Inc., as Borrowers, The Bank of Nova Scotia, as Administrative Agent, and the financial institutions named therein, as Lenders(9)
3. Certain Contracts:
- 3.1 Management Services Agreement, dated as of July 7, 1998, among Celestica Inc., Celestica North America Inc. and Onex Corporation(5)
- 3.2 Quota (Share) Purchase Agreement, dated February 9, 2000, between Celestica Inc., Celestica Europe Inc., IBM Italia S.p.A. and IBM Semea Servizi Finanziari S.p.A.(4)\*
- 3.3 Quota Purchase Agreement, dated June 22, 2000, between NEC do Brasil S.A. and Celestica Inc.(4)\*
- 3.4 Amended and Restated Asset Purchase Agreement, dated as of December 5, 2000, between Celestica Corporation, Celestica Ireland Limited, Motorola, Inc. and Motorola B.V.(4)\*
- 3.5 Asset Purchase Agreement, dated as of February 19, 2001, by and between Avaya Inc. and Celestica Corporation(4)\*
- 3.6 Amendment No. 1 to the Asset Purchase Agreement, dated as of May 4, 2001, by and between Avaya Inc. and Celestica Corporation(4)
- 3.7 Arrangement Agreement, dated as of May 31, 2001, between Celestica Inc. and Primetech Electronics Inc.
- 3.8 Merger Agreement, dated as of June 15, 2001, between Omni Industries Limited and Celestica Inc.
- 3.9 Asset Purchase Agreement, dated as of July 24, 2001, between Lucent Technologies Inc. and Celestica Corporation\*\*
- 3.10 Asset Purchase Agreement, dated as of July 24, 2001, between Lucent Technologies Inc. and Celestica Corporation\*\*

EXHIBIT  
NUMBER  
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DESCRIPTION  
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- 3.11 Employment Agreement, dated as of October 22, 1996, by and between Celestica, Inc. and Eugene V. Polistuk(1)
- 3.12 Employment Agreement, dated as of October 22, 1996, by and between Celestica, Inc. and Anthony P. Puppi(1)
- 3.13 Employment Agreement, dated as of October 22, 1996, by and between Celestica, Inc. and Daniel P. Shea(1)
- 3.14 Employment Agreement, dated as of October 22, 1996, by and between Celestica, Inc. and Douglas C. McDougall(1)
- 3.15 Employment Agreement, dated as of June 30, 1998, by and between Celestica Inc. and R. Thomas Tropea(10)

3.16	Celestica, Inc. -- Celestica Retirement Plan (Canada) (2)
3.17	D2D Employee Share Purchase and Option Plan (1997) (2)
3.18	Celestica 1997 U.K. Approved Share Option Scheme(1)
3.19	1998 U.S. Executive Share Purchase and Option Plan(11)
8.1	Subsidiaries of Registrant

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

\*\* Confidential treatment requested. Confidential portions of the document have been redacted and filed separately with the Securities and Exchange Commission.

- (1) Incorporated by reference to the Registration Statement on Form F-1 of Celestica Inc. filed on April 29, 1998 (Registration No. 333-8700).
- (2) Incorporated by reference to Amendment No. 1 to the Registration Statement on Form F-1 of Celestica Inc. filed on June 1, 1998 (Registration No. 333-8700).
- (3) Incorporated by reference to the Registration Statement on Form F-1 of Celestica Inc. filed on February 16, 1999 (Registration No. 333-10030).
- (4) Incorporated by reference to the Annual Report on Form 20-F of Celestica Inc. filed on May 22, 2001.
- (5) Incorporated by reference to Amendment No. 3 to the Registration Statement on Form F-1 of Celestica Inc. filed on June 25, 1998 (Registration No. 333-8700).
- (6) Incorporated by reference to Amendment No. 1 to the Registration Statement on Form F-4 of Celestica International Inc. filed on March 5, 1997 (Registration No. 333-6308).
- (7) Incorporated by reference to the Registration Statement on Form F-3 of Celestica Inc. filed on July 11, 2000 (Registration No. 333-12272).
- (8) Incorporated by reference to the Current Report on Form 6-K of Celestica Inc. for the month of August, 2000.
- (9) Incorporated by reference to the Registration Statement on Form F-3 of Celestica Inc. filed on September 10, 2001 (Registration No. 333-69278).
- (10) Incorporated by reference to the Annual Report on Form 20-F of Celestica Inc. filed on May 18, 2000.
- (11) Incorporated by reference to the Registration Statement on Form S-8 of Celestica Inc. filed on October 8, 1998 (Registration No. 333-9500).

73

#### 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

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 Elizabeth L. DelBianco  
 VICE-PRESIDENT, GENERAL COUNSEL AND SECRETARY

Date: - , 2002

S-1

Consolidated Financial Statements of  
CELESTICA INC.  
Years ended December 31, 1999, 2000 and 2001  
(in millions of U.S. dollars)

F-1

AUDITORS' REPORT

To the Board of Directors of  
CELESTICA INC.

We have audited the consolidated balance sheets of Celestica Inc. as at December 31, 2000 and 2001 and the consolidated statements of earnings (loss), shareholders' equity and cash flows for each of the years in the three year period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

With respect to the consolidated financial statements for each of the years in the two year period ended December 31, 2001, we conducted our audits in accordance with Canadian generally accepted auditing standards and United States generally accepted auditing standards. With respect to the consolidated financial statements for the year ended December 31, 1999, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance 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.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 2001 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2001 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada  
JANUARY 21, 2002

/s/ KPMG LLP  
CHARTERED ACCOUNTANTS

F-2

COMMENTS BY AUDITORS FOR U.S. READERS ON CANADA-U.S. REPORTING DIFFERENCE

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when there is a change in accounting principles that have a material effect on the comparability of the Company's financial statements, such as the change described in note 2(n) to the financial statements relating to the adoption by the Company of CICA Handbook Section 1581 -- Business Combinations and CICA Handbook Section 3062 -- Goodwill and Other Intangible Assets, as required for goodwill and intangible assets resulting from business combinations consummated after June 30, 2001. Our report to the shareholders dated January 21, 2002 is expressed in accordance with Canadian reporting standards which do not require a reference to such a change in accounting principles in the auditors' report when the change is properly accounted for and adequately disclosed in the financial statements.

Toronto, Canada  
JANUARY 21, 2002

/s/ KPMG LLP  
CHARTERED ACCOUNTANTS

F-3

CELESTICA INC.

CONSOLIDATED BALANCE SHEETS

(IN MILLIONS OF U.S. DOLLARS)

	AS AT DECEMBER 31	
	2000	2001
ASSETS		
Current assets:		
Cash and short-term investments.....	\$ 883.8	\$1,342.8
Accounts receivable (note 4).....	1,785.7	1,054.1
Inventories (note 5).....	1,664.3	1,372.7
Prepaid and other assets.....	138.8	177.3
Deferred income taxes.....	48.4	49.7
	4,521.0	3,996.6
Capital assets (note 6).....	633.4	915.1
Intangible assets (note 7).....	578.3	1,556.0
Other assets (note 8).....	205.3	165.2
	\$5,938.0	\$6,632.9
	=====	=====

#### LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable.....	\$1,730.4	\$1,198.3
Accrued liabilities.....	466.3	405.7
Income taxes payable.....	52.6	21.0
Deferred income taxes.....	7.7	21.8
Current portion of long-term debt (note 9).....	1.4	10.0
	2,258.4	1,656.8
Long-term debt (note 9).....	130.6	137.4
Accrued post-retirement benefits (note 16).....	38.1	47.3
Deferred income taxes.....	38.6	41.5
Other long-term liabilities.....	3.0	4.3
	2,468.7	1,887.3
Shareholders' equity.....	3,469.3	4,745.6
	\$5,938.0	\$6,632.9
	=====	=====

Commitments and contingencies (note 18)

Subsequent event (note 21)

Canadian and United States accounting policy differences (note 22)

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

F-4

CELESTICA INC.

#### CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

(IN MILLIONS OF U.S. DOLLARS, EXCEPT PER SHARE AMOUNTS)

	YEAR ENDED DECEMBER 31		
	1999	2000	2001
Revenue.....	\$5,297.2	\$9,752.1	\$10,004.4
Cost of sales.....	4,914.7	9,064.1	9,291.9
	382.5	688.0	712.5
Gross profit.....	202.2	326.1	341.4
Selling, general and administrative expenses.....	55.6	88.9	125.0
Amortization of intangible assets (note 7).....	9.6	16.1	22.8
Integration costs related to acquisitions (note 3).....	--	--	273.1
Other charges (note 13).....	267.4	431.1	762.3
	115.1	256.9	(49.8)
Operating income (loss).....			

Interest on long-term debt.....	17.3	17.8	19.8
Interest income, net.....	(6.6)	(36.8)	(27.7)
	-----	-----	-----
Earnings (loss) before income taxes.....	104.4	275.9	(41.9)
	-----	-----	-----
Income taxes (note 14):			
Current.....	30.7	80.1	25.8
Deferred (recovery).....	5.3	(10.9)	(27.9)
	-----	-----	-----
	36.0	69.2	(2.1)
	-----	-----	-----
Net earnings (loss).....	\$ 68.4	\$ 206.7	\$ (39.8)
	=====	=====	=====
Basic earnings (loss) per share (note 12).....	\$ 0.41	\$ 1.01	\$ (0.26)
Diluted earnings (loss) per share (notes 2, 12).....	\$ 0.40	\$ 0.98	\$ (0.26)
Weighted average number of shares outstanding (note 12)			
Basic (in millions).....	167.2	199.8	213.9
Diluted (in millions) (note 2).....	171.2	211.8	213.9
Net earnings (loss) in accordance with U.S. GAAP			
(note 22).....	\$ 66.5	\$ 197.4	\$ (51.3)
Basic earnings (loss) per share, in accordance with			
U.S. GAAP (note 22).....	\$ 0.40	\$ 0.99	\$ (0.24)
Diluted earnings (loss) per share, in accordance with			
U.S. GAAP (note 22).....	\$ 0.39	\$ 0.96	\$ (0.24)

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

F-5

CELESTICA INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(IN MILLIONS OF U.S. DOLLARS)

	CONVERTIBLE DEBT (NOTE 10)	CAPITAL STOCK (NOTE 11)	RETAINED EARNINGS (DEFICIT)	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	TOTAL SHAREHOLDERS' EQUITY
	-----	-----	-----	-----	-----
Balance -- December 31, 1998.....	\$--	\$ 912.1	\$(52.2)	\$(0.6)	\$ 859.3
Shares issued, net.....	--	734.0	--	--	734.0
Currency translation.....	--	--	--	(3.5)	(3.5)
Net earnings for the year.....	--	--	68.4	--	68.4
	-----	-----	-----	-----	-----
Balance -- December 31, 1999.....	--	1,646.1	16.2	(4.1)	1,658.2
Convertible debt issued, net.....	850.4	--	--	--	850.4
Convertible debt accretion, net of tax....	10.1	--	(5.4)	--	4.7
Shares issued, net.....	--	749.3	--	--	749.3
Net earnings for the year.....	--	--	206.7	--	206.7
	-----	-----	-----	-----	-----
Balance -- December 31, 2000.....	860.5	2,395.4	217.5	(4.1)	3,469.3
Convertible debt accretion, net of tax....	26.3	--	(15.0)	--	11.3
Shares issued, net.....	--	1,303.6	--	--	1,303.6
Currency translation.....	--	--	--	1.2	1.2
Net loss for the year.....	--	--	(39.8)	--	(39.8)
	-----	-----	-----	-----	-----
Balance -- December 31, 2001.....	\$886.8	\$3,699.0	\$162.7	\$(2.9)	\$4,745.6
	=====	=====	=====	=====	=====

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

F-6

CELESTICA INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN MILLIONS OF U.S. DOLLARS)

YEAR ENDED DECEMBER 31		
-----	-----	-----
1999	2000	2001
-----	-----	-----

CASH PROVIDED BY (USED IN):

OPERATIONS:

Net earnings (loss).....	\$ 68.4	\$ 206.7	\$ (39.8)
Items not affecting cash:			
Depreciation and amortization.....	126.5	212.5	319.5
Deferred income taxes.....	5.3	(10.9)	(27.9)
Other charges (note 13).....	--	--	134.7
Other.....	(2.9)	(4.4)	1.7
	-----	-----	-----
Cash from earnings.....	197.3	403.9	388.2
	-----	-----	-----
Changes in non-cash working capital items:			
Accounts receivable.....	(227.7)	(995.3)	887.2
Inventories.....	(265.0)	(656.7)	822.5
Other assets.....	1.7	(94.7)	45.7
Accounts payable and accrued liabilities.....	194.6	1,230.4	(854.0)
Income taxes payable.....	4.7	27.3	0.9
	-----	-----	-----
Non-cash working capital changes.....	(291.7)	(489.0)	902.3
	-----	-----	-----
Cash provided by (used in) operations.....	(94.4)	(85.1)	1,290.5
	-----	-----	-----
INVESTING:			
Acquisitions, net of cash acquired.....	(64.8)	(634.7)	(1,299.7)
Purchase of capital assets.....	(211.8)	(282.8)	(199.3)
Other.....	(0.6)	(59.5)	1.4
	-----	-----	-----
Cash used in investing activities.....	(277.2)	(977.0)	(1,497.6)
	-----	-----	-----
FINANCING:			
Bank indebtedness.....	--	(8.6)	(2.8)
Repayments of long-term debt.....	(10.0)	(2.2)	(56.0)
Deferred financing costs.....	(1.5)	(0.1)	(3.9)
Issuance of convertible debt.....	--	862.9	--
Convertible debt issue costs, pre-tax.....	--	(19.4)	--
Issuance of share capital.....	758.2	766.6	737.7
Share issue costs, pre-tax.....	(34.3)	(26.8)	(10.0)
Other.....	(1.0)	2.0	1.1
	-----	-----	-----
Cash provided by financing activities.....	711.4	1,574.4	666.1
	-----	-----	-----
Increase in cash.....	339.8	512.3	459.0
Cash, beginning of year.....	31.7	371.5	883.8
	-----	-----	-----
Cash, end of year.....	\$ 371.5	\$ 883.8	\$ 1,342.8
	=====	=====	=====
Supplemental information			
Paid during the year:			
Interest.....	\$ 17.2	\$ 15.9	\$ 20.7
Taxes.....	\$ 26.1	\$ 55.0	\$ 89.0
Non-cash financing activities:			
Convertible debt accretion, net of tax (note 10).....	\$ --	\$ 5.4	\$ 15.0
Shares issued for acquisitions.....	\$ --	\$ --	\$ 567.0

Cash is comprised of cash and short-term investments.

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

F-7

CELESTICA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(IN MILLIONS OF U.S. DOLLARS, EXCEPT PER SHARE AMOUNTS)

1. NATURE OF BUSINESS:

The primary operations of the Company include providing a full range of electronics manufacturing services including design, prototyping, assembly, testing, product assurance, supply chain management, worldwide distribution and after-sales service to its customers primarily in the computer and communications industries. The Company has operations in the Americas, Europe and Asia.

The Company's accounting policies are in accordance with accounting principles generally accepted in Canada and, except as outlined in note 22, are, in all material respects, in accordance with accounting principles generally accepted in the United States.



## 2. SIGNIFICANT ACCOUNTING POLICIES:

### (A) PRINCIPLES OF CONSOLIDATION:

These consolidated financial statements include the accounts of the Company and its subsidiaries. The results of subsidiaries acquired during the year are consolidated from their respective dates of acquisition. The Company's business combinations are accounted for using the purchase method. Inter-company transactions and balances are eliminated on consolidation.

### (B) REVENUE:

Revenue is comprised of product sales and service revenue earned from engineering, design and repair services. Revenue from product sales is recognized upon shipment of the goods. Service revenue is recognized as services are performed.

### (C) CASH AND SHORT-TERM INVESTMENTS:

Cash and short-term investments include cash on account, demand deposits and short-term investments with original maturities of less than three months.

### (D) INVENTORIES:

Inventories are valued on a first-in, first-out basis at the lower of cost and replacement cost for production parts and at the lower of cost and net realizable value for work in progress and finished goods. Cost includes materials and an application of relevant manufacturing value-add.

### (E) CAPITAL ASSETS:

Capital assets are carried at cost and amortized over their estimated useful lives on a straight-line basis. Estimated useful lives for the 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.....	5 years
Software.....	1 to 5 years

### (F) INTANGIBLE ASSETS:

Intangible assets are comprised of goodwill, intellectual property including process technology, and other intangible assets. Goodwill acquired in business combinations with acquisition dates prior to July 1, 2001 and other intangible assets are amortized on a straight-line basis over 10 years and intellectual property over 5 years. Goodwill acquired in business combinations subsequent to June 30, 2001 has not been amortized, but will be tested for impairment annually. See note 2(n).

### (G) IMPAIRMENT OF LONG-LIVED ASSETS:

The Company reviews long-lived assets for impairment on a regular basis or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of capital assets is assessed by comparison of the carrying amount to the projected future net cash flows the long-lived assets are expected to generate.

The Company assesses the recoverability of enterprise level goodwill by determining whether the unamortized goodwill balance can be recovered through undiscounted projected future net cash flows of the acquired operation. An impairment in the value of intellectual property and other intangible assets is assessed based on projected future net cash flows. See note 2(n).

CELESTICA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN MILLIONS OF U.S. DOLLARS, EXCEPT PER SHARE AMOUNTS)

(H) PENSION AND NON-PENSION, POST-RETIREMENT BENEFITS:

The Company accrues its obligations under employee benefit plans and the related costs, net of plan assets. The cost of pensions and other retirement 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, retirement ages of employees and expected health care costs. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Past service costs arising from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment. The net actuarial gain (loss) is amortized over the average remaining service period of active employees. The average remaining service period of active employees covered by the pension plans is 14 years for 2000 and 2001. The average remaining service period of active employees covered by the other retirement benefit plans is 21 years for 2000 and 2001.

(I) DEFERRED FINANCING COSTS:

Costs relating to long-term debt are deferred in other assets and amortized over the term of the related debt and debt facilities.

(J) INCOME TAXES:

The Company uses the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. When necessary, a valuation allowance is recorded to reduce tax assets to an amount for which realization is more likely than not. The effect of changes in tax rates is recognized in the period in which the rate change occurs.

(K) FOREIGN CURRENCY TRANSLATION AND HEDGING:

The functional currency of the majority of the Company's subsidiaries is the United States dollar. For such subsidiaries, monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the year-end rate of exchange. Non-monetary assets and liabilities denominated in foreign currencies are translated at historic rates and revenue and expenses are translated at average exchange rates prevailing during the month of the transaction. Exchange gains or losses are reflected in the consolidated statements of earnings (loss).

The accounts of the Company's self-sustaining foreign operations, for which the functional currency is other than the U.S. dollar are translated into U.S. dollars using the current rate method. Assets and liabilities are translated at the year-end exchange rate and revenue and expenses are translated at average exchange rates. Gains and losses arising from the translation of financial statements of foreign operations are deferred in the "foreign currency translation adjustment" account included as a separate component of shareholders' equity.

The Company enters into forward exchange contracts to hedge the cash flow risk associated with certain firm purchase commitments and forecasted transactions. Gains and losses on hedges of firm commitments are included in the cost of the hedged transactions when they occur. Gains and losses on hedges of forecasted transactions are recognized in earnings in the same period as the underlying hedged transaction. The Company does not enter into derivatives for speculative purposes.

(L) RESEARCH AND DEVELOPMENT:

The Company annually incurs costs on activities that relate to research and development which are expensed as incurred unless development costs meet certain criteria for capitalization. Total research and development costs recorded in selling, general and administrative expenses for 2001

were \$17.1 (2000 -- \$19.5; 1999 -- \$19.7). No amounts have been capitalized.

(M) 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 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 estimates are used in determining the allowance for doubtful accounts, inventory valuation and the useful lives of intangible assets. Actual results could differ materially from those estimates and assumptions.

F-9

CELESTICA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN MILLIONS OF U.S. DOLLARS, EXCEPT PER SHARE AMOUNTS)

(N) CHANGES IN ACCOUNTING POLICIES:

Earnings per share:

As a result of the new Canadian Institute of Chartered Accountants (CICA) Handbook Section 3500 "Earnings per share," the Company is required to retroactively use the treasury stock method for calculating diluted earnings per share. This change results in an earnings per share calculation which is consistent with United States GAAP. Previously reported diluted earnings per share have been restated to reflect this change.

Business combinations and goodwill:

In September 2001, the CICA issued Handbook Sections 1581 "Business Combinations" and 3062 "Goodwill and Other Intangible Assets." The new standards mandate the purchase method of accounting for business combinations and require that goodwill no longer be amortized but instead be tested for impairment at least annually. The standards also specify criteria that intangible assets must meet to be recognized and reported apart from goodwill. The standards require that the value of the shares issued in a business combination be measured using the average share price for a reasonable period before and after the date the terms of the acquisition are agreed to and announced. Previously, the consummation date was used to value the shares issued in a business combination. The new standards are substantially consistent with United States GAAP.

Effective July 1, 2001 and for the remainder of the fiscal year, goodwill acquired in business combinations completed after June 30, 2001 was not amortized. In addition, the criteria for recognition of intangible assets apart from goodwill and the valuation of the shares issued in a business combination has been applied to business combinations completed after June 30, 2001.

Upon full adoption of the standards beginning January 1, 2002, the Company will discontinue amortization of all existing goodwill, evaluate existing intangible assets and make any necessary reclassifications in order to conform with the new criteria for recognition of intangible assets apart from goodwill and will test for impairment in accordance with the new standards.

In connection with Section 3062's transitional goodwill impairment evaluation, the Company is required to assess whether goodwill is impaired as of January 1, 2002. The Company has up to six months to determine the fair value of its reporting units and compare that to the carrying amounts of the reporting units. To the extent a reporting unit's carrying amount exceeds its fair value, the Company must perform a second step to measure the amount of impairment in a manner similar to a purchase price allocation. This second step is to be completed no later than December 31, 2002. Any transitional impairment will be recognized as an effect of a change in accounting principle and will be charged to opening retained earnings as of January 1, 2002.

As of December 31, 2001, the Company had unamortized goodwill of \$1,128.8 and unamortized other intangible assets including intellectual property of \$427.2, all of which are subject to the transitional provisions of Sections 1581 and 3062. Amortization expense related to goodwill was \$39.2 for 2001. Because of the extensive effort required to comply with the remaining provisions of Sections 1581 and 3062, the Company has not estimated the impact of these provisions on its financial statements, beyond discontinuing goodwill amortization.

(O) RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS:

Stock-based compensation and other stock-based payments:

In December 2001, the CICA issued Handbook Section 3870, which establishes standards for the recognition, measurement, and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services provided by employees and non-employees. The standard requires that a fair value based method of accounting be applied to all stock-based payments to non-employees and to employee awards that are direct awards of stock, that call for settlement in cash or other assets or are stock appreciation rights that call for settlement by the issuance of equity instruments. However, the new standard permits the Company to continue its existing policy of recording no compensation cost on the grant of stock options to employees. Consideration paid by employees on the exercise of stock options is recorded as share capital. The standard is effective for the Company's fiscal year beginning January 1, 2002 for awards granted on or after that date. The Company's current accounting policies are consistent with the new standard.

Foreign currency translation and hedging relationships:

CICA Handbook Section 1650 has been amended to eliminate the deferral and amortization of foreign currency translation gains and losses on long-lived monetary items, effective January 1, 2002, with retroactive restatement of prior periods. The Company is not impacted by this change. The CICA issued Accounting Guideline AcG-13 which establishes criteria for hedge accounting effective for the Company's 2003 fiscal year. The Company has complied with the requirements of AcG-13 and has determined that all of its current hedges will continue to qualify for hedge accounting when the guideline becomes effective.

F-10

CELESTICA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN MILLIONS OF U.S. DOLLARS, EXCEPT PER SHARE AMOUNTS)

3. ACQUISITIONS:

2000 ACQUISITIONS:

(A) IBM:

In February and May, 2000, the Company acquired certain assets from the Enterprise Systems Group and Microelectronics Division of IBM in Rochester, Minnesota and Vimercate and Santa Palomba, Italy, respectively. The total purchase price of \$470.0 was financed with cash.

(B) OTHER ACQUISITIONS:

In June 2000, the Company acquired 100% of the issued and outstanding shares of NDB Industrial Ltda. in Brazil from NEC Corporation. In August 2000, the Company acquired 100% of the issued and outstanding shares of Bull Electronics Inc. in Lowell, Massachusetts from Groupe Bull. In November 2000, the Company acquired 100% of the issued and outstanding shares of NEC Technologies (UK) Ltd. in Telford, U.K. from NEC Corporation. The total purchase price for these acquisitions of \$169.8 was financed with cash.

Details of the net assets acquired in these acquisitions, at fair value, are as follows:

	IBM	OTHER ACQUISITIONS
	-----	-----
Current assets.....	\$ 301.1	\$ 86.5
Capital assets.....	98.2	35.1
Other long-term assets.....	2.3	--
Goodwill and intellectual property.....	213.9	74.1
Other intangible assets.....	12.2	--
Liabilities assumed.....	(157.7)	(25.9)
	-----	-----
Net assets acquired.....	\$ 470.0	\$ 169.8
	=====	=====

Other intangible assets represent the excess of purchase price over the fair value of tangible assets and intellectual property acquired in asset acquisitions.

## 2001 ACQUISITIONS:

### (C) ASSET ACQUISITIONS:

In February 2001, the Company acquired certain assets located in Dublin, Ireland and Mt. Pleasant, Iowa from Motorola Inc. In March 2001, the Company acquired certain assets of a repair facility in Japan from N.K. Techno Co., Ltd. In May 2001, the Company acquired certain assets in Littlerock, Arkansas and Denver, Colorado from Avaya Inc., and in August 2001, acquired certain assets in Saumur, France. In August 2001, the Company acquired certain assets in Columbus, Ohio and Oklahoma City, Oklahoma from Lucent Technologies Inc. The total purchase price for these acquisitions of \$834.1 was financed with cash and was allocated to the net assets acquired, including intangible assets of \$195.7, based on their relative fair values at the date of acquisition.

### (D) BUSINESS COMBINATIONS:

#### Omni:

In October 2001, the Company acquired Omni Industries Limited (Omni), an electronics manufacturer headquartered in Singapore. This acquisition significantly enhanced the Company's presence in Asia. The purchase price of \$865.8 was financed with the issuance of 9.2 million subordinate voting shares and the issuance of options to purchase 0.3 million subordinate voting shares of the Company and \$479.5 in cash. The goodwill recorded for Omni is not tax deductible. The Company is in the process of obtaining third-party valuations of certain assets. The fair value allocation of the purchase price is subject to refinement.

#### Other business combinations:

In January 2001, the Company acquired Excel Electronics, Inc. through a merger with Celestica (US) Inc., a subsidiary of the Company. This acquisition expanded the Company's presence in the southern United States. In June 2001, the Company acquired Sagem CR s.r.o., in the Czech Republic, from Sagem SA, of France, which positions Celestica as Sagem's primary EMS provider. In August 2001, the Company acquired Primetech Electronics Inc. (Primetech), an electronics manufacturer in Canada. This acquisition provided the Company with additional high complexity manufacturing capability and an expanded global customer

F-11

CELESTICA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN MILLIONS OF U.S. DOLLARS, EXCEPT PER SHARE AMOUNTS)

base. The purchase price of Primetech was financed primarily with the issuance of 3.4 million subordinate voting shares and the issuance of options to purchase 0.3 million subordinate voting shares of the Company. The Company is in the process of obtaining third-party valuations of certain assets. The fair value allocation of the purchase price is

subject to refinement.

The value of the shares issued in the Primetech and Omni acquisitions was determined based on the average market price of the shares for a reasonable period before and after the date the terms of the acquisitions were agreed to and announced.

Details of the net assets acquired in these business combinations, at fair value, are as follows:

	OMNI	OTHER BUSINESS COMBINATIONS
	-----	-----
Current assets.....	\$ 255.2	\$ 63.2
Capital assets.....	91.8	46.3
Other long-term assets.....	4.1	0.1
Goodwill.....	764.4	135.5
Intellectual property.....	50.0	10.0
Liabilities assumed.....	(299.7)	(27.6)
	-----	-----
Net assets acquired.....	\$ 865.8	\$227.5
	=====	=====
Financed by:		
Cash.....	\$ 479.5	\$ 46.8
Issuance of shares and options.....	386.3	180.7
	-----	-----
	\$ 865.8	\$227.5
	=====	=====

Integration costs related to acquisitions:

The Company incurred costs of \$22.8 in 2001 (2000 -- \$16.1; 1999 -- \$9.6) 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. ACCOUNTS RECEIVABLE:

Accounts receivable are net of an allowance for doubtful accounts of \$74.6 at December 31, 2001 (2000 -- \$40.7).

#### 5. INVENTORIES:

	2000	2001
	-----	-----
Raw materials.....	\$1,298.5	\$ 903.6
Work in progress.....	215.2	220.6
Finished goods.....	150.6	248.5
	-----	-----
	\$1,664.3	\$1,372.7
	=====	=====

#### 6. CAPITAL ASSETS:

	2000		
	-----		
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
	-----	-----	-----
Land.....	\$ 18.0	\$--	\$ 18.0
Buildings.....	131.9	8.7	123.2
Buildings/leasehold improvements.....	42.8	9.1	33.7
Office equipment.....	64.5	25.4	39.1
Machinery and equipment.....	510.2	152.4	357.8
Software.....	76.9	15.3	61.6

-----	-----	-----
\$844.3	\$210.9	\$633.4
=====	=====	=====

F-12

CELESTICA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN MILLIONS OF U.S. DOLLARS, EXCEPT PER SHARE AMOUNTS)

2001			
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Land.....	\$ 53.3	\$--	\$ 53.3
Buildings.....	258.8	17.4	241.4
Buildings/leasehold improvements.....	66.0	24.8	41.2
Office equipment.....	86.8	40.2	46.6
Machinery and equipment.....	727.2	291.2	436.0
Software.....	136.6	40.0	96.6
	-----	-----	-----
	\$1,328.7	\$413.6	\$915.1
	=====	=====	=====

The above amounts include \$13.3 (2000 -- \$8.1) of assets under capital lease and accumulated amortization of \$6.8 (2000 -- \$6.1) related thereto.

Depreciation and rental expense for the year ended December 31, 2001 was \$192.8 (2000 -- \$121.9; 1999 -- \$69.5) and \$79.8 (2000 -- \$46.7; 1999 -- \$21.1), respectively.

7. INTANGIBLE ASSETS:

2000			
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Goodwill.....	\$434.1	\$104.0	\$330.1
Other intangible assets.....	100.9	27.7	73.2
Intellectual property.....	250.1	75.1	175.0
	-----	-----	-----
	\$785.1	\$206.8	\$578.3
	=====	=====	=====

2001			
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Goodwill.....	\$1,261.1	\$132.3	\$1,128.8
Other intangible assets.....	209.3	26.8	182.5
Intellectual property.....	388.6	143.9	244.7
	-----	-----	-----
	\$1,859.0	\$303.0	\$1,556.0
	=====	=====	=====

Other intangible assets represent the excess of cost over the fair value of tangible assets and intellectual property acquired in asset acquisitions.

The intellectual property primarily represents the cost of certain non-patented intellectual property and process technology.

Amortization expense is as follows:

	YEAR ENDED DECEMBER 31		
	1999	2000	2001
Amortization of goodwill.....	\$31.1	\$39.1	\$ 39.2
Amortization of other intangible assets.....	8.3	10.7	17.0
Amortization of intellectual property.....	16.2	39.1	68.8
	-----	-----	-----
	\$55.6	\$88.9	\$125.0
	=====	=====	=====

F-13

CELESTICA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN MILLIONS OF U.S. DOLLARS, EXCEPT PER SHARE AMOUNTS)

8. OTHER ASSETS:

	2000	2001
	-----	-----
Deferred pension (note 16).....	\$ 25.8	\$ 28.4
Deferred income taxes.....	81.5	116.4
Commodity taxes recoverable.....	78.3	10.7
Other.....	19.7	9.7
	-----	-----
	\$205.3	\$165.2
	=====	=====

Amortization of deferred financing costs for the year ended December 31, 2001 was \$1.7 (2000 -- \$1.7; 1999 -- \$1.5).

9. LONG-TERM DEBT:

	2000	2001
	-----	-----
Global, unsecured, revolving credit facility due 2003 (a)...	\$--	\$--
Global, unsecured, revolving credit facility due 2004 (b)...	--	--
Unsecured revolving credit facility due 2005 (c).....	--	--
Senior Subordinated Notes due 2006 (d).....	130.0	130.0
Other (e).....	2.0	17.4
	-----	-----
	132.0	147.4
Less current portion.....	1.4	10.0
	-----	-----
	\$130.6	\$137.4
	=====	=====

(a) Concurrently with the initial public offering on July 7, 1998, the Company entered into a global, unsecured, revolving credit facility providing up to \$250.0 of borrowings. The credit facility permits the Company and certain designated subsidiaries to borrow funds for general corporate purposes (including acquisitions). Borrowings under the facility bear interest at LIBOR plus a margin and are repayable in July 2003. There were no borrowings on this facility during 2000 and 2001. Commitment fees in 2001 were \$0.4.



- (b) In February 2000, the Company renewed its second global, unsecured, revolving credit facility providing up to \$250.0 of borrowings including a swing line facility that provides for short-term borrowings up to a maximum of seven days. The credit facility permits the Company and certain designated subsidiaries to borrow funds for general corporate purposes (including acquisitions). The revolving facility is repayable in April 2004. Borrowings under the facility bear interest at LIBOR plus a margin except that borrowings under the swing line facility bears interest at a base rate. There were no borrowings on this facility during 2000 and 2001. Commitment fees in 2001 were \$0.6.
- (c) In July 2001, the Company entered into an unsecured, revolving credit facility providing up to \$500.0 of borrowings including a swing line facility that provides for short-term borrowings up to a maximum of seven days. The credit facility permits the Company and certain designated subsidiaries to borrow funds for general corporate purposes (including acquisitions). The revolving facility is repayable in July 2005. 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. There were no borrowings on this facility in 2001. Commitment fees in 2001 were \$0.5.
- (d) The Senior Subordinated Notes bear interest at 10.5%, are unsecured and are subordinated to the payment of all senior debt of the Company. The Senior Subordinated Notes may be redeemed at various premiums above face value.
- (e) Other long-term debt includes secured loan facilities of one of the Company's subsidiaries of which \$13.0 is outstanding at December 31, 2001. The weighted average interest rate on these facilities in 2001 was 4.4%. The loans are denominated in Singapore Dollars and are repayable through quarterly payments. There were no commitment fees for 2001.

As at December 31, 2001, principal repayments due within each of the next five years on all long-term debt are as follows:

2002.....	\$ 10.0
2003.....	4.5
2004.....	1.3
2005.....	0.7
2006.....	130.6
Thereafter.....	0.3

F-14

CELESTICA INC.

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN MILLIONS OF U.S. DOLLARS, EXCEPT PER SHARE AMOUNTS)

The unsecured, revolving credit facilities have restrictive covenants relating to debt incurrence and sale of assets and also contain financial covenants that indirectly restrict the Company's ability to pay dividends. A change of control is an event of default. The Company's Senior Subordinated Notes due 2006 include a covenant restricting the Company's ability to pay dividends.

#### 10. CONVERTIBLE DEBT:

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

The LYONs are convertible at any time at the option of the holder, unless previously redeemed or repurchased, into 5.6748 subordinate voting shares

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

Pursuant to Canadian generally accepted accounting principles, the LYONs are recorded as an equity instrument and bifurcated into a principal equity component (representing the present value of the notes) and an option component (representing the value of the conversion features of the notes). The principal equity component is accreted over the 20-year term through periodic charges to retained earnings.

#### 11. CAPITAL STOCK:

##### (A) AUTHORIZED:

An unlimited number of subordinate voting shares, which entitle the holder to one vote per share, and an unlimited number of multiple voting shares, which entitle the holder to twenty-five votes per share. Except as otherwise required by law, the subordinate voting shares and multiple voting shares vote together as a single class on all matters submitted to a vote of shareholders, including the election of directors. The holders of the subordinate voting shares and multiple voting shares 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 multiple voting share is convertible at any time at the option of the holder thereof into one subordinate voting share. The Company is also authorized to issue an unlimited number of preferred shares, issuable in series.

##### (B) ISSUED AND OUTSTANDING:

NUMBER OF SHARES (IN MILLIONS)	SUBORDINATE VOTING SHARES	MULTIPLE VOTING SHARES	TOTAL SUBORDINATE AND MULTIPLE VOTING SHARES OUTSTANDING	SHARES TO BE ISSUED
Balance December 31, 1999.....	146.3	39.1	185.4	0.5
Equity offering (i).....	16.6	--	16.6	--
Other share issuances (ii).....	1.3	--	1.3	--
Issued as consideration for acquisitions (iii).....	0.1	--	0.1	(0.1)
Balance December 31, 2000.....	164.3	39.1	203.4	0.4
Equity offering (iv).....	12.0	--	12.0	--
Other share issuances (v).....	1.1	--	1.1	--
Issued as consideration for acquisitions (vi).....	13.2	--	13.2	0.1
Balance December 31, 2001.....	190.6	39.1	229.7	0.5
	=====	=====	=====	=====

F-15

CELESTICA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN MILLIONS OF U.S. DOLLARS, EXCEPT PER SHARE AMOUNTS)

AMOUNT	SUBORDINATE VOTING SHARES	MULTIPLE VOTING SHARES	SHARES TO BE ISSUED	TOTAL AMOUNT
Balance December 31, 1999.....	\$1,504.5	\$138.8	\$ 2.8	\$1,646.1
Equity offering, net of issue costs (i).....	740.1	--	--	740.1
Other share issuances (ii).....	9.2	--	--	9.2
Issued as consideration for acquisitions (iii).....	1.1	--	(1.1)	--
Balance December 31, 2000.....	2,254.9	138.8	1.7	2,395.4
Equity offering, net of issue costs (iv).....	707.4	--	--	707.4
Other share issuances (v).....	29.2	--	--	29.2
Issued as consideration for acquisitions (vi).....	562.8	--	4.2	567.0
	-----	-----	-----	-----

Balance December 31, 2001.....	\$3,554.3	\$138.8	\$ 5.9	\$3,699.0
	=====	=====	=====	=====

#### 2000 CAPITAL TRANSACTIONS:

- (i) In March 2000, the Company issued 16.6 million subordinate voting shares for gross cash proceeds of \$757.4 and incurred \$17.3 in share issue costs, net of tax of \$9.5.
- (ii) During 2000, pursuant to employee share purchase and option plans and LTIP awards, the Company issued 1.3 million subordinate voting shares as a result of the exercise of options for cash of \$9.2.
- (iii) During 2000, the Company issued 0.1 million of reserved shares at an ascribed value of \$1.1 for \$0.2 cash. As at December 31, 2000, 0.4 million subordinate voting shares remain reserved for issuance at an ascribed value of \$1.7.

#### 2001 CAPITAL TRANSACTIONS:

- (iv) In May 2001, the Company issued 12.0 million subordinate voting shares for gross cash proceeds of \$714.0 and incurred \$6.6 in share issuance costs, net of tax of \$3.4.
- (v) During 2001, pursuant to employee share purchase and option plans and LTIP awards, the Company issued 1.1 million subordinate voting shares as a result of the exercise of options for cash of \$23.7 and recorded a tax benefit of \$5.5.
- (vi) In 2001, the Company issued 12.7 million subordinate voting shares, as consideration for acquisitions, for an ascribed value of \$558.5 and reserved 0.6 million shares at an ascribed value of \$8.5. During 2001, the Company issued 0.5 million of reserved shares at an ascribed value of \$4.3. As at December 31, 2001, 0.5 million subordinate voting shares remain reserved for issuance at an ascribed value of \$5.9.

#### (C) STOCK OPTION PLANS:

##### (I) LONG-TERM INCENTIVE PLAN (LTIP)

The Company established the LTIP prior to the closing of its initial public offering. Under this plan, the Company may grant stock options, performance shares, performance share units and stock appreciation rights to directors, permanent employees and consultants ("eligible participants") of the Company, its subsidiaries and other companies or partnerships in which the Company has a significant investment. Under the LTIP, up to 23.0 million subordinate voting shares may be issued from treasury. Options are granted at prices equal to the market value of the day prior to the date of the grant and are exercisable during a period not to exceed ten years from such date.

##### (II) EMPLOYEE SHARE PURCHASE AND OPTION PLANS (ESPO)

The Company has ESPO plans that were available to certain of its employees and executives. As a result of the establishment of the LTIP, no further options or shares may be issued under the ESPO plans. Pursuant to the ESPO plans, employees and executives of the Company were offered the opportunity to purchase, at prices equal to market value, 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. The exercise price for the options is equal to the price per share paid for the corresponding subordinate voting shares acquired under the ESPO plans.

F-16

CELESTICA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN MILLIONS OF U.S. DOLLARS, EXCEPT PER SHARE AMOUNTS)

Stock option transactions were as follows:

NUMBER OF OPTIONS (IN MILLIONS)	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
-----	-----	-----
Outstanding at December 31, 1998.....	11.5	\$ 5.41
Granted.....	5.2	\$30.05
Exercised.....	(1.7)	\$ 8.25
Cancelled.....	(0.4)	\$ 7.37
-----	-----	-----
Outstanding at December 31, 1999.....	14.6	\$14.84
Granted.....	4.2	\$55.40
Exercised.....	(1.4)	\$ 6.85
Cancelled.....	(0.2)	\$ 7.33
-----	-----	-----
Outstanding at December 31, 2000.....	17.2	\$25.16
Granted/assumed.....	8.5	\$42.54
Exercised.....	(1.6)	\$14.89
Cancelled.....	(0.2)	\$23.36
-----	-----	-----
Outstanding at December 31, 2001.....	23.9	\$31.67
=====	=====	=====
Cash consideration received on options exercised.....		\$23.7
=====	=====	=====
Shares reserved for issuance upon exercise of stock options or awards (in millions).....	28.8	
=====	=====	=====

The following options were outstanding as at December 31, 2001:

PLAN	RANGE OF EXERCISE PRICES	OUTSTANDING OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	EXERCISABLE OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	REMAINING LIFE
----	-----	-----	-----	-----	-----	-----
		(in millions)		(in millions)		(years)
ESPO.....	\$ 5.00 - \$ 7.50	5.3	\$ 5.34	3.9	\$ 5.42	6
LTIP.....	\$ 8.75 - \$13.69	1.7	\$12.16	0.9	\$11.96	7
	\$24.18 - \$24.18	0.8	\$24.18	0.4	\$24.18	8
	\$24.91 - \$36.89	0.8	\$30.58	--	--	10
	\$39.03 - \$39.03	2.9	\$39.03	1.4	\$39.03	8
	\$41.89 - \$41.89	6.4	\$41.89	--	--	10
	\$44.23 - \$54.15	0.6	\$49.46	--	--	9
	\$55.40 - \$60.06	4.1	\$55.96	1.0	\$55.96	9
	\$73.04 - \$74.90	0.1	\$73.42	--	--	9
Other.....	\$ 0.93 - \$13.31	1.0	\$ 5.73	0.9	\$ 5.67	5
Other.....	\$29.73 - \$72.84	0.2	\$46.28	--	--	5
		----				
		23.9				
		=====				

F-17

# CELESTICA INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN MILLIONS OF U.S. DOLLARS, EXCEPT PER SHARE AMOUNTS)

### 12. EARNINGS PER SHARE:

The following table sets forth the calculation of basic and diluted earnings (loss) per share:

	YEAR ENDED DECEMBER 31		
	1999	2000	2001
-----	-----	-----	-----
Numerator:			
Net earnings (loss).....	\$ 68.4	\$206.7	\$ (39.8)
Convertible debt accretion, net of tax.....	--	(5.4)	(15.0)
-----	-----	-----	-----
Earnings (loss) available to common shareholders.....	\$ 68.4	\$201.3	\$ (54.8)

Denominator:			
Weighted average shares -- basic (in millions).....	167.2	199.8	213.9
Effect of dilutive securities (in millions):			
Employee stock options(1).....	4.0	7.8	--
Convertible debt.....	--	4.2	--
	-----	-----	-----
Weighted average shares -- diluted (in millions) (2).....	171.2	211.8	213.9
Earnings (loss) per share:			
Basic.....	\$ 0.41	\$ 1.01	\$ (0.26)
Diluted.....	\$ 0.40	\$ 0.98	\$ (0.26)

(1) For 1999 and 2000, excludes the effect of 3.4 million and 3.3 million "out of the money" options, respectively, as they are anti-dilutive.

(2) For 2001, excludes the effect of options and convertible debt as they are anti-dilutive due to the loss.

### 13. OTHER CHARGES:

	YEAR ENDED DECEMBER 31		
	1999	2000	2001
Restructuring (a).....	\$--	\$--	\$237.0
Other (b).....	--	--	36.1
	-----	-----	-----
	\$--	\$--	\$273.1
	=====	=====	=====

#### (a) Restructuring:

The Company recorded a pre-tax restructuring charge of \$237.0 in 2001, in response to a slowing end market. The Company's restructuring plan focused on facility consolidations and a workforce reduction. The following table details the components of the restructuring charge:

	YEAR ENDED DECEMBER 31		
	1999	2000	2001
Employee termination costs.....	\$--	\$--	\$ 90.7
Lease and other contractual obligations.....	--	--	35.3
Facility exit costs and other.....	--	--	12.4
Asset impairment (non-cash).....	--	--	98.6
	-----	-----	-----
	\$--	\$--	\$237.0
	=====	=====	=====

F-18

CELESTICA INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN MILLIONS OF U.S. DOLLARS, EXCEPT PER SHARE AMOUNTS)

The following table details the activity in the accrued restructuring liability:

	EMPLOYEE TERMINATION COSTS	LEASE AND OTHER CONTRACTUAL OBLIGATIONS	FACILITY EXIT COSTS AND OTHER	TOTAL
Balance at January 1, 2001.....	\$--	\$--	\$--	\$--
Provision.....	90.7	35.3	12.4	138.4

Cash payment.....	(51.2)	(1.6)	(2.9)	(55.7)
	-----	-----	-----	-----
Balance at December 31, 2001.....	\$ 39.5	\$33.7	\$ 9.5	\$ 82.7
	=====	=====	=====	=====

Employee terminations were made across all geographic regions of the Company with the majority pertaining to manufacturing and plant employees. A total of 12,041 employees have been identified to be terminated, of which 9,711 employees were terminated during 2001. The remaining termination costs are expected to be paid out during 2002.

The non-cash charges for asset impairment reflects the write-down of certain long-lived assets across all geographic regions that have become impaired as a result of the rationalization of facilities. The asset impairments relate to goodwill and intangible assets, machinery and equipment, buildings and improvements. The assets were written down to their recoverable amounts using estimated cash flows.

The Company expects to complete the major components of the restructuring plan by the end of 2002, except for certain long-term lease contractual obligations.

(b) Other:

In 2001, the Company recorded a non-cash charge of \$36.1. This is comprised of a write-down of the carrying value of certain assets, primarily goodwill and intangible assets.

14. INCOME TAXES:

	YEAR ENDED DECEMBER 31		
	1999	2000	2001
	-----	-----	-----
Income (loss) before tax:			
Canadian operations.....	\$ 84.8	\$179.4	\$ 34.7
Foreign operations.....	19.6	96.5	(76.6)
	-----	-----	-----
	\$104.4	\$275.9	\$ (41.9)
	=====	=====	=====
Current income tax expense:			
Canadian operations.....	\$ 25.4	\$ 51.2	\$ 17.2
Foreign operations.....	5.3	28.9	8.6
	-----	-----	-----
	\$ 30.7	\$ 80.1	\$ 25.8
	=====	=====	=====
Deferred income tax expense (recovery):			
Canadian operations.....	\$ 14.4	\$ 33.0	\$ (5.4)
Foreign operations.....	(9.1)	(43.9)	(22.5)
	-----	-----	-----
	\$ 5.3	\$ (10.9)	\$ (27.9)
	=====	=====	=====

F-19

CELESTICA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN MILLIONS OF U.S. DOLLARS, EXCEPT PER SHARE AMOUNTS)

The overall income tax provision differs from the provision computed at the statutory rate as follows:

	YEAR ENDED DECEMBER 31		
	1999	2000	2001
	-----	-----	-----
Combined Canadian federal and provincial income tax rate....	44.6%	44.0%	42.1%

	-----	-----	-----
Income taxes (recovery) based on earnings (loss) before income taxes at statutory rates.....	\$ 46.6	\$121.4	\$ (17.7)
Increase (decrease) resulting from:			
Manufacturing and processing deduction.....	(8.1)	(17.7)	(5.0)
Foreign income taxed at lower rates.....	(11.4)	(43.9)	(2.9)
Amortization of non-deductible costs.....	9.5	8.9	15.4
Other, including large corporations tax.....	(0.6)	0.5	8.1
	-----	-----	-----
Income tax expense (recovery).....	\$ 36.0	\$ 69.2	\$ (2.1)
	=====	=====	=====

Deferred income taxes are recognized for future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their tax bases. Deferred tax assets and liabilities are comprised of the following as at December 31, 2000 and 2001:

	2000	2001
	-----	-----
Deferred tax assets:		
Income tax effect of net operating losses carried forward.....	\$ 52.5	\$ 51.9
Accounting provisions not currently deductible.....	21.6	63.5
Capital, intangible and other assets.....	6.7	17.0
Share issue and convertible debt issue costs.....	23.0	17.2
Other.....	1.8	4.5
	-----	-----
Total deferred tax assets.....	105.6	154.1
	=====	=====
Deferred tax liabilities:		
Capital, intangible and other assets.....	(12.4)	(37.7)
Deferred pension asset.....	(8.9)	(9.1)
Other.....	(0.8)	(4.5)
	-----	-----
Total deferred tax liabilities.....	(22.1)	(51.3)
	-----	-----
Deferred income tax asset, net.....	\$ 83.5	\$102.8
	=====	=====

Celestica has been granted tax incentives, including tax holidays, for its Czech Republic, China, Malaysia, Thailand and Singapore subsidiaries. These tax incentives expire between 2002 and 2012, and are subject to certain conditions with which the Company expects to comply.

As at December 31, 2001, the Company had \$340.0 of non-capital (net operating) losses, the income tax benefits of which have been recognized in the financial statements. A portion of these losses have an indefinite carryforward period. The other portion of these losses will expire over a 20-year period commencing in 2005.

The Company also has net capital losses amounting to \$11.5, and has recognized the benefit of these losses in the financial statements.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, the character of the tax asset and tax planning strategies in making this assessment. In order to fully realize the deferred tax assets, the Company will need to generate future taxable income of approximately \$295.0. Based upon projections of future taxable income over the periods in which the deferred tax assets are deductible, management believes that it is more likely than not that the Company will realize the benefits of these assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN MILLIONS OF U.S. DOLLARS, EXCEPT PER SHARE AMOUNTS)

15. RELATED PARTY TRANSACTIONS:

In 2001, the Company expensed acquisition and management related fees of \$2.1 (2000 -- \$2.1; 1999 -- \$2.0) and capitalized acquisition related fees of \$Nil (2000 -- \$0.5; 1999 -- \$Nil) charged by its parent company. Management believes that the fees charged were reasonable in relation to the services provided.

16. PENSION AND NON-PENSION POST-RETIREMENT BENEFIT PLANS:

The Company provides various pension and non-pension post-retirement benefit plans for its employees. Non-pension post-retirement benefits are available to all Company retirees. The benefits include medical, surgical, hospitalization coverage, supplemental health, dental and group life insurance. Certain employees participate in defined benefit plans; all other employees participate in defined contribution plans.

The following information is provided with respect to the defined contribution plans:

	YEAR ENDED DECEMBER 31		
	1999	2000	2001
Period cost, plans providing pension benefits.....	\$8.6 =====	\$12.8 =====	\$18.9 =====

For the defined benefit pension plans, actuarial estimates are based on projections of employees' compensation levels at the time of retirement. Maximum retirement benefits are based upon the employees' best three consecutive years' earnings. The Company has funded the plans over the past four years based on actuarial calculations to maintain the plans on a fully funded basis. The most recent actuarial valuations were completed as at March and April 2000 and January 2001. The Company accrues the expected costs of providing non-pension, post-retirement benefits during the periods in which the employees render service.

The estimated present value of accrued plan benefits and the estimated market value of the net assets available to provide for these benefits at December 31, 2000 and 2001 are as follows:

	PENSION PLANS		OTHER BENEFIT PLANS	
	2000	2001	2000	2001
Plan assets, at fair value.....	\$188.6	\$174.5	\$--	\$--
Projected benefit obligations.....	170.3	179.1	47.7	56.4
Excess (deficit) of plan assets over projected benefit obligations.....	18.3	(4.6)	(47.7)	(56.4)
Unamortized past service costs.....	--	--	4.3	4.1
Unrecognized net loss from past experience and effects of changes in assumptions.....	9.7	33.6	5.3	5.0
Foreign currency exchange rate changes.....	(2.2)	(0.6)	--	--
Deferred amount.....	\$ 25.8 =====	\$ 28.4 =====	\$ (38.1) =====	\$ (47.3) =====

The Company has one pension plan with accumulated benefit obligations in excess of plan assets. This plan has an accumulated benefit obligation of \$114.2 and plan assets of \$95.1.

The Company continues to make contributions to support ongoing plan obligations; these contributions have been included in the deferred pension amount on the consolidated balance sheets.



## CELESTICA INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN MILLIONS OF U.S. DOLLARS, EXCEPT PER SHARE AMOUNTS)

Pension fund assets consist primarily of fixed income and equity securities, valued at market value. The following information is provided on pension fund assets:

	PENSION PLANS	
	2000	2001
Opening plan assets.....	\$191.1	\$188.6
Actual return on plan assets.....	1.5	(13.1)
Foreign currency exchange rate changes.....	(11.1)	(8.0)
Contributions by employees.....	2.1	2.1
Contributions by employer.....	7.5	10.1
Benefits paid.....	(2.5)	(5.2)
	-----	-----
	\$188.6	\$174.5
	=====	=====
Vested benefit obligations.....	\$100.6	\$174.6
	=====	=====
Accumulated benefit obligations.....	\$143.2	\$174.6
	=====	=====

There are no assets recorded for the other benefit plans.

Projected benefit obligations are outlined below:

	PENSION PLANS		OTHER BENEFIT PLANS	
	2000	2001	2000	2001
Opening projected benefit obligations.....	\$147.3	\$170.3	\$17.5	\$47.7
Service cost.....	7.5	8.6	1.5	7.6
Interest cost.....	10.6	11.3	1.5	2.0
Benefits paid.....	(2.5)	(5.2)	(0.2)	(3.8)
Actuarial gains and losses.....	7.3	--	0.4	4.6
Plan amendments.....	--	1.9	0.7	--
Acquisitions.....	--	--	26.3	1.1
Changes in assumptions.....	7.4	(1.9)	0.5	(1.4)
Foreign currency exchange rate changes.....	(7.3)	(5.9)	(0.5)	(1.4)
	-----	-----	-----	-----
	\$170.3	\$179.1	\$47.7	\$56.4
	=====	=====	=====	=====

Net plan expense is outlined below:

	PENSION PLANS			OTHER BENEFIT PLANS		
	YEAR ENDED DECEMBER 31			YEAR ENDED DECEMBER 31		
	1999	2000	2001	1999	2000	2001
Plan cost:						
Service cost -- benefits earned.....	\$ 6.5	\$ 7.5	\$ 8.6	\$ 1.2	\$ 1.5	\$ 7.6
Interest cost on projected benefit obligations.....	9.0	10.6	11.3	1.1	1.5	2.0
Actual return on plan assets.....	(30.0)	(1.5)	13.1	--	--	--
Amortization of past service costs.....	--	2.4	(5.8)	--	--	--
Net amortization and deferral.....	18.6	(15.0)	(21.4)	1.4	0.3	0.8
	-----	-----	-----	-----	-----	-----
	\$ 4.1	\$ 4.0	\$ 5.8	\$ 3.7	\$ 3.3	\$ 10.4
	=====	=====	=====	=====	=====	=====
Actuarial assumptions (percentages):						
Weighted average discount rate for projected benefit obligations.....	6.0 - 6.5	6.5 - 7.0	5.8 - 7.8	6.5 - 8.0	7.0 - 8.0	7.0 - 7.8
Weighted average rate of compensation increase.....	3.5 - 4.0	4.0	4.5	4.5	4.5	4.5
Weighted average expected long-term rate of return on plan assets.....	7.5	7.3 - 7.5	7.3 - 7.8	--	--	--
Healthcare cost trend rate.....	--	--	--	5.1 - 7.4	5.1 - 6.8	3.5 - 8.0

A one-percentage point increase and decrease in the assumed healthcare cost trend rate would increase by \$0.9 and decrease by \$0.7 the service cost and increase by \$5.1 and decrease by \$4.0 the accumulated obligation for other benefit plans for the year ended December 31, 2001.

F-22

CELESTICA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN MILLIONS OF U.S. DOLLARS, EXCEPT PER SHARE AMOUNTS)

17. FINANCIAL INSTRUMENTS:

FAIR VALUES:

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- (a) The carrying amounts of cash, 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 the Company's long-term debt, including the current portion thereof, is estimated based on the current trading value, where available, or with reference to similarly traded instruments with similar terms.
- (c) The fair values of foreign currency contract obligations are estimated based on the current trading value, as quoted by brokers active in these markets.

The carrying amounts and fair values of the Company's financial instruments, where there are differences at December 31, 2000 and 2001, are as follows:

	DECEMBER 31, 2000		DECEMBER 31, 2001	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Senior Subordinated Notes and other long-term debt.....	\$130.0	\$135.2	\$143.0	\$149.5
Foreign currency contracts -- asset (liability).....	--	7.5	--	(7.4)

DERIVATIVES AND HEDGING ACTIVITIES:

The Company has entered into foreign currency contracts to hedge foreign currency risk relating to cash flow exposures. The Company's forward exchange contracts do not subject the Company to risk from exchange rate movements because gains and losses on such contracts offset losses and gains on transactions being hedged. The counterparties to the contracts are multinational commercial banks and therefore the credit risk of counterparty non-performance is remote. As at December 31, 2001, the Company had outstanding foreign exchange contracts to sell \$379.5 in exchange for Canadian dollars over a period of 17 months at a weighted average exchange rate of U.S. \$0.65. In addition, the Company had exchange contracts to sell \$191.8 in exchange for euros over a period of 15 months at a weighted average exchange rate of U.S. \$0.88, \$56.6 in exchange for British pounds sterling over a period of 15 months at a weighted average exchange rate of U.S. \$1.40, \$46.3 in exchange for Mexican pesos over a period of 12 months at a weighted average exchange rate of U.S. \$0.10, \$24.2 in exchange for Thailand baht over a period of 12 months at a weighted average exchange rate of U.S. \$0.02 and \$6.4 in exchange for Czech koruna over a period of 12 months at a weighted average exchange rate of U.S. \$0.03. At December 31, 2001, these contracts had a fair value liability of \$7.4 (2000 -- asset of \$7.5).

CONCENTRATION OF RISK:

The Company is a turnkey manufacturer of sophisticated electronics for original equipment manufacturers engaged in the electronics manufacturing industry. Financial instruments that potentially subject the Company to concentrations of credit risk are primarily inventory repurchase obligations

of customers, accounts receivable and cash equivalents. The Company performs ongoing credit evaluations of its customers' financial conditions. In certain instances, the Company obtains letters of credit from its customers. The Company considers its concentrations of credit risk in determining its estimates of reserves for potential credit losses. The Company maintains cash and cash equivalents in high quality short-term investments or on deposit with major financial institutions.

#### 18. COMMITMENTS AND CONTINGENCIES:

The Company has operating leases and license commitments that require future payments as follows:

	OPERATING LEASES	LICENSE COMMITMENTS	TOTAL
	-----	-----	-----
2002.....	\$103.5	\$0.6	\$104.1
2003.....	81.3	--	81.3
2004.....	38.0	--	38.0
2005.....	26.4	--	26.4
2006.....	20.4	--	20.4
Thereafter.....	89.2	--	89.2

F-23

CELESTICA INC.

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN MILLIONS OF U.S. DOLLARS, EXCEPT PER SHARE AMOUNTS)

Contingent liabilities in the form of letters of credit and guarantees, including guarantees of employee share purchase loans, amounted to \$24.1 at December 31, 2001 (2000 -- \$12.0).

In the normal course of operations the Company may be subject to litigation and claims from customers, suppliers and former employees. 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 would not have a material adverse effect on the financial position of the Company.

#### 19. SIGNIFICANT CUSTOMERS:

During 2001, three customers individually comprised 23%, 21% and 11% of total revenue across all geographic segments. At December 31, 2001, two customers represented 14% and 26% of total accounts receivable.

During 2000, two customers individually comprised 25% and 21% of total revenue across all geographic segments. At December 31, 2000, two customers represented 21% and 26% of total accounts receivable.

During 1999, three customers individually comprised 25%, 18% and 12% of total revenue across all geographic segments. At December 31, 1999, two customers represented 14% and 15% of total accounts receivable.

#### 20. SEGMENTED INFORMATION:

The Company's operations fall into one dominant industry segment, the electronics manufacturing services industry. The Company manages its operations, and accordingly determines its operating segments, on a geographic basis. The performance of geographic operating segments is monitored based on EBIAT (earnings before interest, income taxes, amortization of intangible assets, integration costs related to acquisitions and other charges). The Company monitors enterprise-wide performance based on adjusted net earnings, which is calculated as net earnings (loss) before amortization of intangible assets, integration costs related to acquisitions and other charges, net of related income taxes. Inter-segment transactions are reflected at market value.

The following is a breakdown of: revenue; EBIAT, adjusted net earnings (which is after income taxes); capital expenditures; total assets; intangible assets; and capital assets by operating segment. Certain comparative information has been restated to reflect changes in the management of operating segments.

	YEAR ENDED DECEMBER 31		
	1999	2000	2001
REVENUE			
Americas.....	\$3,587.5	\$6,542.7	\$ 6,334.6
Europe.....	1,108.6	2,823.3	3,001.3
Asia.....	710.2	871.6	991.1
Elimination of inter-segment revenue.....	(109.1)	(485.5)	(322.6)
	-----	-----	-----
	\$5,297.2	\$9,752.1	\$10,004.4
	=====	=====	=====

	YEAR ENDED DECEMBER 31		
	1999	2000	2001
EBIAT			
Americas.....	\$114.2	\$200.1	\$ 192.9
Europe.....	42.8	121.1	128.5
Asia.....	23.3	40.7	49.7
	-----	-----	-----
	180.3	361.9	371.1
Interest, net.....	(10.7)	19.0	7.9
Amortization of intangible assets.....	(55.6)	(88.9)	(125.0)
Integration costs related to acquisitions.....	(9.6)	(16.1)	(22.8)
Other charges.....	--	--	(273.1)
	-----	-----	-----
Earnings (loss) before income taxes.....	\$104.4	\$275.9	\$ (41.9)
	=====	=====	=====
Adjusted net earnings.....	\$123.0	\$304.1	\$ 320.6
	=====	=====	=====

F-24

CELESTICA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN MILLIONS OF U.S. DOLLARS, EXCEPT PER SHARE AMOUNTS)

	YEAR ENDED DECEMBER 31		
	1999	2000	2001
CAPITAL EXPENDITURES			
Americas.....	\$138.0	\$154.0	\$107.9
Europe.....	29.1	86.9	55.4
Asia.....	44.7	41.9	36.0
	-----	-----	-----
	\$211.8	\$282.8	\$199.3
	=====	=====	=====

AS AT DECEMBER 31

2000	2001
------	------

	-----	-----
TOTAL ASSETS		
Americas.....	\$3,444.6	\$3,408.2
Europe.....	1,904.7	1,626.3
Asia.....	588.7	1,598.4
	-----	-----
	\$5,938.0	\$6,632.9
	=====	=====
INTANGIBLE ASSETS		
Americas.....	\$ 307.8	\$ 516.4
Europe.....	196.6	165.6
Asia.....	73.9	874.0
	-----	-----
	\$ 578.3	\$1,556.0
	=====	=====
CAPITAL ASSETS		
Americas.....	\$ 327.0	\$ 468.0
Europe.....	216.0	279.1
Asia.....	90.4	168.0
	-----	-----
	\$ 633.4	\$ 915.1
	=====	=====

The following table details the Company's external revenue allocated by manufacturing location among foreign countries exceeding 10%:

	YEAR ENDED DECEMBER 31		
	1999	2000	2001
	-----	-----	-----
REVENUE			
Canada.....	43%	28%	20%
United States.....	22%	30%	35%
Italy.....	--	10%	13%
United Kingdom.....	19%	17%	11%

## 21. SUBSEQUENT EVENT:

In January 2002, the Company entered into an agreement with NEC Corporation to purchase certain manufacturing assets in Miyagi and Yamanashi, Japan. This acquisition is expected to close in the first quarter of 2002.

F-25

CELESTICA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN MILLIONS OF U.S. DOLLARS, EXCEPT PER SHARE AMOUNTS)

## 22. CANADIAN AND UNITED STATES ACCOUNTING POLICY DIFFERENCES:

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles ("GAAP") as applied in Canada. The significant differences between Canadian and United States GAAP and their effect on the consolidated financial statements of the Company are described below:

### CONSOLIDATED STATEMENTS OF EARNINGS (LOSS):

The following table reconciles net earnings (loss) as reported in the accompanying consolidated statements of earnings (loss) to net earnings (loss) that would have been reported had the consolidated financial statements been prepared in accordance with United States GAAP:

YEAR ENDED DECEMBER 31		
1999	2000	2001
-----	-----	-----

	-----	-----	-----
Net earnings (loss) in accordance with Canadian GAAP.....	\$68.4	\$206.7	\$(39.8)
Compensation expense (a).....	(1.9)	(2.5)	(3.2)
Interest expense on convertible debt, net of tax of \$9.5 (2000 -- \$3.8) (b).....	--	(6.8)	(17.7)
Other charges (c).....	--	--	(2.7)
Gain on foreign exchange contract, net of tax of \$3.6 (d)...	--	--	12.1
	-----	-----	-----
Net earnings (loss) in accordance with United States GAAP...	\$66.5	\$197.4	\$(51.3)
Other comprehensive income:			
Cumulative effect of a change in accounting policy, net of tax of \$1.9 (e).....	--	--	5.6
Net loss on derivatives designated as hedges, net of tax of \$3.2 (e).....	--	--	(11.7)
Minimum pension liability, net of tax of \$6.4 (f).....	--	--	(14.9)
Foreign currency translation adjustment.....	(3.5)	--	1.2
	-----	-----	-----
Comprehensive income (loss) in accordance with United States GAAP.....	\$63.0	\$197.4	\$(71.1)
	=====	=====	=====

The following table sets forth the computation of United States GAAP basic and diluted earnings (loss) per share:

	YEAR ENDED DECEMBER 31		
	-----	-----	-----
	1999	2000	2001
	-----	-----	-----
Earnings (loss) available to shareholders -- basic.....	\$ 66.5	\$197.4	\$(51.3)
Add: Interest expense on convertible debt, net of tax.....	--	6.8	17.7
	-----	-----	-----
Earnings (loss) available to shareholders -- diluted.....	\$ 66.5	\$204.2	\$(33.6)
Weighted average shares -- basic (in millions).....	167.2	199.8	213.9
Weighted average shares -- diluted (in millions)(1).....	171.2	211.8	213.9
Basic earnings (loss) per share.....	\$ 0.40	\$ 0.99	\$(0.24)
Diluted earnings (loss) per share.....	\$ 0.39	\$ 0.96	\$(0.24)
-----			

(1) For 2001, excludes the effect of options and convertible debt as they are anti-dilutive due to the loss.

F-26

CELESTICA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN MILLIONS OF U.S. DOLLARS, EXCEPT PER SHARE AMOUNTS)

The cumulative effect of these adjustments on shareholders' equity of the Company is as follows:

	AS AT DECEMBER 31		
	-----	-----	-----
	1999	2000	2001
	-----	-----	-----
Shareholders' equity in accordance with Canadian GAAP.....	\$1,658.2	\$3,469.3	\$4,745.6
Compensation expense (a).....	(8.1)	(10.6)	(13.8)
Capital stock (a).....	6.1	8.6	11.8
Interest expense on convertible debt, net of tax (b).....	--	(6.8)	(24.5)
Convertible debt (b).....	--	(860.5)	(886.8)
Convertible debt accretion, net of tax (b).....	--	5.4	20.4
Other charges (c).....	--	--	(2.7)
Gain on foreign exchange contract, net of tax (d).....	--	--	12.1
Net loss on cash flow hedges (e).....	--	--	(6.1)

Minimum pension liability, net of tax (f).....	--	--	(14.9)
	-----	-----	-----
Shareholders' equity in accordance with United States			
GAAP.....	\$1,656.2	\$2,605.4	\$3,841.1
	=====	=====	=====
-----			

- (a) In 1998, the Company amended the vesting provisions of 6.2 million employee stock options issued in 1997 and 1998. Under the previous vesting provisions, such options vested based on the achievement of earnings targets. A portion of these options now vest over a specified time period and the balance vested on completion of the initial public offering in 1998. Under United States GAAP, this amendment required a new measurement date for purposes of accounting for compensation expense, resulting in a charge equal to the aggregate difference between the fair value of the underlying subordinate voting shares at the date of the amendment and the exercise price for such options. As a result, under United States GAAP the Company has and will record an aggregate \$15.6 non-cash stock compensation charge to be reflected in earnings and capital stock over the vesting period as follows: 1998 -- \$4.2; 1999 -- \$1.9; 2000 -- \$2.5; 2001 -- \$3.2; 2002 -- \$3.8. No similar charge is required to be recorded by the Company under Canadian GAAP.
- (b) Under Canadian GAAP, the Company recorded the convertible debt as an equity instrument and recorded accretion charges to retained earnings. Under United States GAAP, the convertible debt was recorded as a long-term liability and, accordingly, the Company recorded the accretion charges and amortization of debt issue costs to interest expense.
- (c) In 2001, the Company recorded a charge to write-down goodwill, which was measured using undiscounted cash flows. United States GAAP requires the use of discounted cash flows, resulting in an additional charge of \$2.7.
- (d) In 2001, the Company entered into a forward exchange contract to hedge the cash portion of the purchase price for the Omni acquisition. The transaction does not qualify for hedge accounting treatment under SFAS No. 133 which specifically precludes hedges of forecasted business combinations. As a result, the gain on the exchange contract of \$15.7, less tax of \$3.6, is recognized in income for United States GAAP. For Canadian GAAP, the gain on the contract was included in the cost of the acquisition, resulting in a goodwill value that is \$15.7 lower for Canadian GAAP than United States GAAP.
- (e) The Financial Accounting Standards Board (FASB) has issued SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" and SFAS No. 138 which amends SFAS No. 133. SFAS No. 133 establishes methods of accounting for derivative financial instruments and hedging activities related to those instruments as well as other hedging activities. The standard requires that all derivatives be recorded on the balance sheet at fair value. The Company has implemented SFAS No. 133 for 2001 for purposes of the United States GAAP reconciliation. The Company enters into forward exchange contracts to hedge certain forecasted cash flows. The contracts are for periods consistent with the forecasted transactions. All relationships between hedging instruments and hedged items, as well as risk management objectives and strategies, are documented. Changes in the spot value of the foreign currency contracts that are designated, effective and qualify as cash flow hedges of forecasted transactions are reported in accumulated other comprehensive income and are reclassified into the same component of earnings and in the same period as the hedged transaction is recognized. Accordingly, on January 1, 2001, the Company recorded an asset in the amount of \$7.5 and a corresponding credit to other comprehensive income as a cumulative effect type adjustment to reflect the initial mark-to-market on the foreign currency contracts pursuant to United States GAAP. At December 31, 2001, the Company has recorded a liability of \$7.4 and has recorded the corresponding adjustments to other comprehensive income and earnings. It is expected that \$7.0 of net losses reported in accumulated other comprehensive income will be reclassified into earnings during the period ended December 31, 2002. Under Canadian GAAP, the derivative instruments are not marked to market and the related, off-balance sheet gains and losses are recognized in earnings in the same period as the hedged transactions.
- (f) Under United States GAAP, the Company is required to record an additional minimum pension liability for one of its plans to reflect the

excess of the accumulated benefit obligations over the fair value of the plan assets. Other comprehensive income has been charged with \$14.9, net of tax of \$6.4. No such adjustments are required under Canadian GAAP.

F-27

CELESTICA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN MILLIONS OF U.S. DOLLARS, EXCEPT PER SHARE AMOUNTS)

OTHER DISCLOSURES REQUIRED UNDER UNITED STATES GAAP:

(a) Stock based compensation:

The Company measures 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. However, SFAS No. 123 does require the disclosure of pro forma net earnings (loss) and earnings (loss) per share information as if the Company had accounted for its employee stock options under the fair value method prescribed by SFAS No. 123. Accordingly, the fair value of the options issued was determined using the Black-Scholes option pricing model with the following assumptions: risk-free rate of 5.4% (2000 -- 5.4%; 1999 -- 5%), dividend yield of 0%, a volatility factor of the expected market price of the Company's shares of 70% (2000 -- 70%; 1999 -- 47%); and a weighted-average expected option life of 7.5 years in 2001 (2000 -- 7.5 years; 1999 -- 5 years). The weighted-average grant date fair values of options issued in 2001 was \$34.31 per share (2000 -- \$40.49 per share; 1999 -- \$10.24 per share). For purposes of pro forma disclosures, the estimated fair value of the options is amortized to income over the vesting period. For the year ended December 31, 2001, the Company's United States GAAP pro forma loss is \$97.1 and basic loss per share is \$0.45 (2000 -- earnings of \$176.2 and \$0.88 per share; 1999 -- earnings of \$52.3 and \$0.31 per share).

(b) Accumulated other comprehensive income (loss):

	YEAR ENDED DECEMBER 31		
	1999	2000	2001
Opening balance of accumulated net gain on cash flow hedges.....	\$--	\$--	\$--
Cumulative effect of a change in accounting policy, net of tax (e).....	--	--	5.6
Net loss on derivatives designated as hedges (e).....	--	--	(11.7)
Closing balance of accumulated net loss on cash flow hedges.....	--	--	(6.1)
Opening balance of foreign currency translation account....	(0.6)	(4.1)	(4.1)
Foreign currency translation gain (loss).....	(3.5)	--	1.2
Closing balance of foreign currency translation account....	(4.1)	(4.1)	(2.9)
Minimum pension liability, net of tax (f).....	--	--	(14.9)
Accumulated other comprehensive loss.....	<u>\$ (4.1)</u>	<u>\$ (4.1)</u>	<u>\$ (23.9)</u>

(c) Under United States GAAP, the subtotal "cash from earnings" would be excluded from the consolidated statements of cash flows.

(d) New United States accounting pronouncements:

In July 2001, the FASB issued Statement No. 141 "Business Combinations" and Statement No. 142 "Goodwill and Intangible Assets." These statements are substantially consistent with CICA Sections 1581 and 3062 (refer to note 2(n)) except that under United States GAAP, any transitional impairment charge is recognized in earnings as a cumulative effect of a change in accounting principle. Under Canadian GAAP, the cumulative adjustment is recognized in opening retained earnings.

In October 2001, FASB issued Statement No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets," which retains the fundamental provisions of SFAS 121 for recognizing and measuring impairment losses of long-lived assets other than goodwill. Statement 144



also broadens the definition of discontinued operations to include all distinguishable components of an entity that will be eliminated from ongoing operations. This Statement is effective for the Company's fiscal year commencing January 1, 2002, to be applied prospectively. In August 2001, SFAS 143 "Accounting for Asset Retirement Obligations" was approved and requires that the fair value of an asset retirement obligation be recorded as a liability, at fair value, in the period in which the Company incurs the obligation. SFAS 143 is effective for the Company's fiscal year commencing January 1, 2003. The Company expects the adoption of these standards will have no material impact on its financial position, results of operations or cash flows.

F-28

CELESTICA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN MILLIONS OF U.S. DOLLARS, EXCEPT PER SHARE AMOUNTS)

[EXHIBIT INDEX]

EXHIBIT NUMBER -----	DESCRIPTION -----
1.	Articles of Incorporation and by-laws as currently in effect:
1.1	Certificate and Articles of Incorporation(1)
1.2	Certificate and Articles of Amendment effective October 22, 1996(1)
1.3	Certificate and Articles of Amendment effective January 24, 1997(1)
1.4	Certificate and Articles of Amendment effective October 8, 1997(1)
1.5	Certificate and Articles of Amendment effective April 29, 1998(2)
1.6	Articles of Amendment effective June 26, 1998(3)
1.7	Restated Articles of Incorporation effective June 26, 1998(3)
1.8	Bylaw No. 1(4)
1.9	Bylaw No. 2(1)
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(5)
2.3	Indenture, dated as of November 18, 1996, by and among Celestica International Inc., Celestica, Inc., Celestica Corporation and The Chase Manhattan Bank, as Trustee (including forms of the Outstanding Notes and Exchange Notes) (6)
2.4	Guarantee Agreement, dated as of November 18, 1996, between Celestica, Inc. and The Chase Manhattan Bank, as Trustee(6)
2.5	Guarantee Agreement, dated as of November 18, 1996, between Celestica Corporation and The Chase Manhattan Bank, as Trustee(6)
2.6	Supplemental Indenture, dated as of July 7, 1998, among Celestica International Inc., Celestica Inc. and The Chase Manhattan Bank, as Trustee(3)

- 2.7 Supplemental Indenture, dated as of May 26, 2000, between Celestica Inc. and The Chase Manhattan Bank, as Trustee(7)
- 2.8 Indenture, dated as of August 1, 2000, between Celestica Inc. and The Chase Manhattan Bank, as Trustee (including forms of the Outstanding Notes) (8)
- 2.10 Amended and Restated Credit Agreement, dated as of July 8, 2001, between Celestica Inc., the subsidiaries of Celestica Inc., specified therein as Designated Subsidiaries, The Bank of Nova Scotia, as Administrative Agent, The Bank of Nova Scotia, as Canadian Facility Agent, The Bank of Nova Scotia, as U.S. Facility Agent, The Bank of Nova Scotia, as U.K. Facility Agent, the financial institutions named in Schedule A as Canadian lenders, the financial institutions named in Schedule B as U.S. lenders, and the financial institutions named in Schedule C as U.K. lenders(9)

CELESTICA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN MILLIONS OF U.S. DOLLARS, EXCEPT PER SHARE AMOUNTS)

EXHIBIT  
NUMBER  
-----

DESCRIPTION  
-----

- 2.11 Amended and Restated Revolving Term Credit Agreement, dated as of June 8, 2001, between Celestica Inc., the subsidiaries of Celestica Inc., specified therein as Designated Subsidiaries, The Bank of Nova Scotia, as Administrative Agent, The Bank of Nova Scotia, as Canadian Facility Agent, The Bank of Nova Scotia, as U.S. Facility Agent, The Bank of Nova Scotia, as U.K. Facility Agent, the financial institutions named in Schedule A as Canadian lenders, the financial institutions named in Schedule B as U.S. lenders, and the financial institutions named in Schedule C as U.K. lenders(9)
- 2.12 Four Year Revolving Term Credit Agreement, dated as of July 31, 2001, among Celestica Inc. and Celestica International Inc., as Borrowers, The Bank of Nova Scotia, as Administrative Agent, and the financial institutions named therein, as Lenders.(9)
3. Certain Contracts:
- 3.1 Management Services Agreement, dated as of July 7, 1998, among Celestica Inc., Celestica North America Inc. and Onex Corporation(5)
- 3.2 Quota (Share) Purchase Agreement, dated February 9, 2000, between Celestica Inc., Celestica Europe Inc., IBM Italia S.p.A. and IBM Semea Servizi Finanziari S.p.A.(4)\*
- 3.3 Quota Purchase Agreement, dated June 22, 2000, between NEC do Brasil S.A. and Celestica Inc.(4)\*
- 3.4 Amended and Restated Asset Purchase Agreement, dated as of December 5, 2000, between Celestica Corporation, Celestica Ireland Limited, Motorola, Inc. and Motorola B.V.(4)\*
- 3.5 Asset Purchase Agreement, dated as of February 19, 2001, by and between Avaya Inc. and Celestica Corporation(4)\*
- 3.6 Amendment No. 1 to the Asset Purchase Agreement, dated as of May 4, 2001, by and between Avaya Inc. and Celestica Corporation(4)
- 3.7 Arrangement Agreement, dated May 31, 2001, between Celestica Inc. and Primetech Electronics Inc.

- 3.8 Merger Agreement, dated as of June 15, 2001, between Omni Industries Limited and Celestica Inc.
- 3.9 Asset Purchase Agreement, dated as of July 24, 2001, between Lucent Technologies Inc. and Celestica Corporation\*\*
- 3.10 Asset Purchase Agreement, dated as of July 24, 2001, between Lucent Technologies Inc. and Celestica Corporation\*\*
- 3.11 Employment Agreement, dated as of October 22, 1996, by and between Celestica, Inc. and Eugene V. Polistuk(1)
- 3.12 Employment Agreement, dated as of October 22, 1996, by and between Celestica, Inc. and Anthony P. Puppi(1)
- 3.13 Employment Agreement, dated as of October 22, 1996, by and between Celestica, Inc. and Daniel P. Shea(1)
- 3.14 Employment Agreement, dated as of October 22, 1996, by and between Celestica, Inc. and Douglas C. McDougall(1)

CELESTICA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN MILLIONS OF U.S. DOLLARS, EXCEPT PER SHARE AMOUNTS)

EXHIBIT  
NUMBER

DESCRIPTION

- | EXHIBIT<br>NUMBER<br>----- | DESCRIPTION<br>-----  |
|----------------------------|---|
| 3.15                       | Employment Agreement, dated as of June 30, 1998, by and between Celestica Inc. and R. Thomas Tropea(10) |
| 3.16                       | Celestica, Inc. -- Celestica Retirement Plan (Canada) (2)   |
| 3.17                       | D2D Employee Share Purchase and Option Plan (1997) (2)  |
| 3.18                       | Celestica 1997 U.K. Approved Share Option Scheme(1)   |
| 3.19                       | 1998 U.S. Executive Share Purchase and Option Plan(11)  |
| 8.1                        | Subsidiaries of Registrant  |

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

\*\* Confidential treatment requested. Confidential portions of this document have been redacted and filed separately with the Securities and Exchange Commission.

- (1) Incorporated by reference to the Registration Statement on Form F-1 of Celestica Inc. filed on April 29, 1998 (Registration No. 333-8700).
- (2) Incorporated by reference to Amendment No. 1 to the Registration Statement on Form F-1 of Celestica Inc. filed on June 1, 1998 (Registration No. 333-8700).
- (3) Incorporated by reference to the Registration Statement on Form F-1 of Celestica Inc. filed on February 16, 1999 (Registration No. 333-10030).
- (4) Incorporated by reference to the Annual Report on Form 20-F of Celestica Inc. filed on May 22, 2001.
- (5) Incorporated by reference to Amendment No. 3 to the Registration Statement on Form F-1 of Celestica Inc. filed on June 25, 1998 (Registration No. 333-8700).

- (6) Incorporated by reference to Amendment No. 1 to the Registration Statement on Form F-4 of Celestica International Inc. filed on March 5, 1997 (Registration No. 333-6308).
- (7) Incorporated by reference to the Registration Statement on Form F-3 of Celestica Inc. filed on July 11, 2000 (Registration No. 333-12272).
- (8) Incorporated by reference to the Current Report on Form 6-K of Celestica Inc. for the month of August, 2000.
- (9) Incorporated by reference to the Registration Statement on Form F-3 of Celestica Inc. filed on September 10, 2001 (Registration No. 333-69278).
- (10) Incorporated by reference to the Annual Report on Form 20-F of Celestica Inc. filed on May 18, 2000.
- (11) Incorporated by reference to the Registration Statement on Form S-8 of Celestica Inc. filed on October 8, 1998 (Registration No. 333-9500).

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ARRANGEMENT AGREEMENT  
-----

BETWEEN

CELESTICA INC.

and

PRIMETECH ELECTRONICS INC.

MAY 31, 2001

TABLE OF CONTENTS

ARTICLE 1

INTERPRETATION

1.1	Definitions.....	2
1.2	Construction.....	7
1.3	Currency.....	8
1.4	Knowledge.....	8

ARTICLE 2

THE ARRANGEMENT

2.1	Interim Order.....	8
2.2	Final Order.....	9
2.3	Articles of Arrangement and Effective Date.....	9
2.4	Meeting.....	9
2.5	Shareholder and Optionholder Approval.....	10

ARTICLE 3

REPRESENTATIONS AND WARRANTIES OF CELESTICA

3.1	Organization and Qualification.....	10
3.2	Authority Relative to this Agreement.....	10
3.3	Issuances of Celestica Subordinate Voting Shares Pursuant to the Plan of Arrangement.....	11
3.4	Public Filings.....	12
3.5	Financial Statements.....	12
3.6	Absence of Certain Changes or Events.....	13

ARTICLE 4

REPRESENTATIONS AND WARRANTIES

OF PRIMETECH

4.1	Organization and Qualification.....	13
4.2	Authority Relative to this Agreement.....	13
4.3	Capitalization.....	14
4.4	Subsidiary.....	15
4.5	Title to Properties.....	15
4.6	Inventories.....	16
4.7	Intellectual Property.....	16
4.8	Insurance.....	16

-i-

4.9	Contracts.....	17
4.10	Compliance with Laws; Licences.....	17
4.11	Financial Statements.....	17
4.12	Books and Records.....	18
4.13	Absence of Changes.....	18
4.14	Taxes.....	19
4.15	Litigation, Etc.....	20
4.16	Environmental.....	20
4.17	Employees.....	22
4.18	Benefit Plans.....	23
4.19	Customers.....	23
4.20	Public Filings.....	24
4.21	Approval of Arrangement.....	24
4.22	Full Disclosure.....	24

ARTICLE 5

COVENANTS

5.1	Public Statements.....	25
5.2	Listing of Celestica Subordinate Voting Shares.....	25
5.3	Covenants of Primetech.....	25
5.4	Covenants of Celestica.....	30
5.5	Covenants Regarding Non-Solicitation.....	32
5.6	Notice by Primetech of Superior Proposal Determination.....	34
5.7	Break Fee Event.....	34
5.8	Employment Agreements, Pension Plan and Options.....	35
5.9	Access to Information and Properties.....	35
5.10	Further Assurances.....	36
5.11	Directors' and Officers' Insurance.....	36

ARTICLE 6

CONDITIONS TO THE ARRANGEMENT

6.1	Mutual Conditions Precedent.....	36
6.2	Celestica Conditions Precedent.....	37
6.3	Primetech Conditions Precedent.....	40
6.4	No Waiver, Etc.....	42
6.5	Merger of Conditions.....	42

ARTICLE 7

AMENDMENT, TERMINATION AND WAIVER

7.1	Amendment.....	42
-----	----------------	----

-ii-

7.2	Mutual Understanding Regarding Amendments.....	43
7.3	Termination.....	43
7.4	Waiver.....	44
7.5	Effect of Termination.....	44

ARTICLE 8

GENERAL

8.1	Expenses.....	44
8.2	Remedies.....	44
8.3	Notices.....	45
8.4	Investigation.....	46
8.5	Severability.....	46
8.6	Entire Agreement, Assignment and Governing Law.....	46
8.7	Binding Effect.....	47
8.8	Counterparts.....	47
8.9	English Language.....	47

-iii-

ARRANGEMENT AGREEMENT

THIS AGREEMENT made the 31st day of May, 2001.

B E T W E E N:

CELESTICA INC.,  
a corporation incorporated under the  
laws of the Province of Ontario,

(hereinafter, "CELESTICA"),

- and -

PRIMETECH ELECTRONICS INC.,  
a corporation incorporated under the  
CANADA BUSINESS CORPORATIONS ACT

(hereinafter, "PRIMETECH").

WHEREAS Primetech intends to propose to its shareholders at the Meeting (as hereinafter defined) a statutory plan of arrangement under section 192 of the CANADA BUSINESS CORPORATIONS ACT on the terms of the Plan of Arrangement (as hereinafter defined);

AND WHEREAS John McAllister Holdings Inc. ("JM Holdings") and Timothy Casey Holdings Inc. ("TC Holdings") are the registered and beneficial owners of 3,152,502 and 3,103,821 Primetech Common Shares (as hereinafter defined), respectively, representing approximately 20.4% and 20.0% of the issued and outstanding Primetech Common Shares, respectively, and McAllister is the registered and beneficial owner of all of the issued and outstanding shares of JM Holdings;

AND WHEREAS each Principal Shareholder has expressed its intention to vote the Primetech Common Shares and Primetech Options held by such Principal Shareholder, or in respect of which such Principal Shareholder is entitled to exercise the voting rights attaching thereto, in favour of the Arrangement and has entered into a Support Agreement (as hereinafter defined);

AND WHEREAS the Primetech Board of Directors, after consultation with its legal and financial advisors, has unanimously determined that the Arrangement is fair to the Shareholders and Optionholders and in the best interests of Primetech and has resolved to enter into this Agreement and to recommend that the Shareholders and Optionholders vote in favour of the Arrangement, all on the terms and subject to the conditions contained herein;

NOW THEREFORE THIS AGREEMENT WITNESSES that, in consideration of the premises and the covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each Party to the others, the Parties covenant and agree as follows:

## ARTICLE 1

### INTERPRETATION

#### 1.1 DEFINITIONS.

In this Agreement and, unless otherwise defined, in the Exhibits, the following terms have the following meanings, respectively:

"ACQUISITION PROPOSAL" means any merger, amalgamation, take-over bid, sale of material assets (or any lease, long-term supply agreement or other arrangement having the same economic effect as a sale), any material issue or sale of treasury shares or rights or interests therein or thereto or similar transactions or series of transactions involving Primetech or the Subsidiary, or a proposal to do so, excluding the Arrangement;

"AGREEMENT" means this agreement including the Exhibits hereto and all amendments hereto made in accordance with Section 7.1;

"ARRANGEMENT" means the proposed arrangement involving Primetech and its Shareholders and Optionholders under the provisions of section 192 of the CBCA, on and subject to the terms and conditions set forth in the Plan of Arrangement and all amendments thereto made in accordance with Section 7.1;

"BUSINESS DAY" means a day other than a Saturday, Sunday or day on which Canadian chartered banks are authorized or required by Law to be closed in Toronto, Ontario or Montreal, Quebec;

"CBCA" means the CANADA BUSINESS CORPORATIONS ACT;

"CELESTICA MATERIAL ADVERSE EFFECT" means a material adverse effect on the business, operations (including results of operations), assets, properties or condition (financial or otherwise) of Celestica and its subsidiaries taken as a whole, but excluding any change, event or occurrence that: (a) relates to the Canadian or United States economy or securities markets in general; (b) is reasonably attributable to the announcement of this Agreement and the transactions contemplated hereby; or (c) applies to the electronics manufacturing services industry generally;

"CELESTICA NDA" means the non-disclosure, exclusivity and standstill agreement dated March 21, 2001 between Celestica, Primetech, JM Holdings and TC Holdings, as amended;

- 3 -

"CELESTICA PUBLIC DOCUMENTS" means documents or information filed by Celestica under applicable securities Laws since and including January 1, 2000 to and including the date hereof, including Celestica's: (a) annual report to the shareholders for the year ended December 31, 2000; (b) management information circular and proxy statement dated March 9, 2001 in respect of the annual and special meeting of the shareholders held April 18, 2001; (c) annual report on Form 20-F for the year ended December 31, 1999, dated May 18, 2000; (d) interim consolidated financial statements for the three-month period ended March 31, 2001; and (e) press releases and material change reports filed under applicable securities Laws since and including January 1, 2000;

"CELESTICA SUBORDINATE VOTING SHARES" means subordinate voting shares in the capital of Celestica;

"COMPETITION ACT" means the COMPETITION ACT (Canada);

"COURT" means the Superior Court of Quebec, District of Montreal, unless



otherwise agreed to by Celestica and Primetech;

"DIRECTOR" means the Director appointed pursuant to section 260 of the CBCA;

"DISSENT RIGHTS" means the right of a Shareholder to dissent in respect of the Arrangement pursuant to the procedures set forth in section 190 of the CBCA and Section 3.1 of the Plan of Arrangement;

"EFFECTIVE DATE" means the effective date of the Arrangement, being the date shown on the certificate of arrangement to be issued by the Director under the CBCA giving effect to the Arrangement;

"EFFECTIVE TIME" means 12:01 a.m. (Montreal time) on the Effective Date;

"EMPLOYEE" has the meaning set out in Subsection 4.17(d);

"EMPLOYMENT AGREEMENTS" means, collectively, (a) the employment agreement dated June 12, 1998 between Primetech and John McAllister; (b) the employment agreement dated June 12, 1998 between Primetech and Gordon Gray; (c) the employment agreement dated March 16, 2001 between Primetech and David Brown; and (d) the employment agreement dated March 16, 2001 between Primetech and Don Graveson;

"ENCUMBRANCE" includes any mortgage, pledge, assignment, charge, lien, claim, security interest, adverse interest in property, other third party interest or encumbrance of any kind, whether contingent or absolute, and any agreement, option, right or privilege (whether by Law, contract or otherwise) capable of becoming any of the foregoing;

"ENVIRONMENTAL LAWS" has the meaning set out in Subsection 4.16(a);

"EXCHANGED OPTION" has the meaning set out in the Plan of Arrangement;

- 4 -

"FINAL ORDER" means the final order of the Court approving the Arrangement, as such may be amended or varied at any time prior to the Effective Date;

"GOVERNMENTAL ENTITY" means any: (a) multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau or agency, domestic or foreign; (b) any subdivision, agent, commission, board or authority of any of the foregoing; or (c) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;

"HAZARDOUS SUBSTANCE" has the meaning set out in Subsection 4.16(a);

"INFORMATION CIRCULAR" means the management proxy circular of Primetech in both the English and French languages seeking approval of the Arrangement to be sent to Shareholders and Optionholders in connection with the Meeting;

"INTELLECTUAL PROPERTY" means industrial and intellectual property under the Laws of Canada and other jurisdictions, including all:

- (a) trade secrets, confidential information and confidential know-how, including all unpatented inventions, customer and supplier lists, formulae, systems, methodologies, processes, documents, works, designs, prototypes, materials, technologies, inventor's notes, unpublished studies and data, research designs, research results and notes, prototypes, drawings, design and construction specifications, production, operating and quality control manuals, marketing strategies, and current or proposed business opportunities;
- (b) copyrights and all waivers of moral rights associated with copyrights, including all copyrights and moral rights in software and world wide web pages, and also rights to graphic design and user interface elements and "look and feel", and databases;

- (c) industrial designs, design patents and other designs;
- (d) mask works and integrated circuit topographies;
- (e) patents;
- (f) registered and unregistered trade-marks, service marks, sound marks, trade names, brand names, trade dress, indicia, distinguishing guises, logos, designs, business names, domain names, Internet protocol addresses and classes of Internet protocol addresses, any other source or business identifiers and fictitious characters, and all goodwill associated with the foregoing; and

- 5 -

- (g) all rights to take legal action in respect of past infringement of the property described in (i) to (vi) above,

and all registrations, applications for registration, reissues, extensions, renewals, divisions, continuations, continuations-in-part, proprietary information, documentation, Licences, registered user agreements and other agreements relating to the foregoing;

"INTERIM ORDER" means the interim order of the Court to be issued pursuant to the application referred to in Section 2.1;

"INVENTORY" means all of the inventory of Primetech and the Subsidiary, including the raw material, work-in-process and finished goods inventory of Primetech and the Subsidiary and all inventory subject to purchase orders of Primetech or the Subsidiary or that Primetech or the Subsidiary otherwise has committed or commits to purchase;

"LAWS" means all applicable laws, by-laws, rules, regulations, orders, ordinances, protocols, codes, guidelines, policies, notices, decrees, directions and judgments or other requirements of any Governmental Entity;

"LICENCES" has the meaning set out in Section 4.10;

"MAILING DATE" means the date on which the Information Circular is mailed to Shareholders and Optionholders;

"MAILING DEADLINE" has the meaning set out in Subsection 2.4(a)(ii);

"MEETING" means the special meeting of Shareholders and Optionholders to be held for the purpose of considering the Arrangement and any adjournment(s) or postponement(s) thereof;

"MEETING DEADLINE" has the meaning set out in Subsection 2.4(a)(i);

"NYSE" means The New York Stock Exchange, Inc.;

"OPTIONHOLDER" means a holder of Primetech Options;

"PARTY" means a party to this Agreement;

"PENSION AGREEMENTS" means, collectively: (i) the executive compensation agreement dated August 11, 1983 between Tech-Rep Electronics Ltd. (now Primetech) and Gordon Gray; (ii) the executive compensation agreement dated August 11, 1983 between Tech-Rep Electronics Ltd. (now Primetech) and John McAllister; and (iii) the retirement agreement dated June 12, 1998 between Primetech and Timothy Casey;

- 6 -

"PLAN OF ARRANGEMENT" means the plan of arrangement of Primetech set out as Exhibit A hereto and forming a part hereof and all amendments thereto made in accordance with Section 7.1 or section 5.1 of the Plan of Arrangement or the direction of the Court in the Final Order;

"PRIMETECH ARTICLES" means the Articles of Amalgamation of Primetech dated October 7, 1997, as amended;

"PRIMETECH BENEFIT PLAN" means any registered or supplementary pension, retirement, profit sharing, bonus, savings, deferred compensation, stock option, purchase, appreciation, group insurance or other material employee or retiree benefit plans, programmes or arrangements, formal or informal, oral or written, maintained or contributed to by Primetech or the Subsidiary;

"PRIMETECH BOARD OF DIRECTORS" means the board of directors of Primetech;

"PRIMETECH COMMON SHARES" means common shares in the capital of Primetech;

"PRIMETECH DISCLOSURE STATEMENT" means the disclosure statement dated the date hereof provided by Primetech to Celestica contemporaneously with the entering into of this Agreement;

"PRIMETECH MATERIAL ADVERSE EFFECT" means a material adverse effect on the business, operations (including results of operations), assets, properties, condition (financial or otherwise) or prospects of Primetech and the Subsidiary, taken as a whole, but excluding any change, event or occurrence that (a) relates to the Canadian or United States economy or securities markets in general; (b) is reasonably attributable to the announcement of this Agreement and the transactions contemplated hereby; or (c) applies to the electronics manufacturing services industry generally;

"PRIMETECH OPTIONS" means options exercisable for Primetech Common Shares granted pursuant to the Primetech Option Plan;

"PRIMETECH OPTION PLAN" means the stock option plan of Primetech known as the 1998 Stock Option Plan, as amended;

"PRIMETECH PUBLIC DOCUMENTS" means documents or information filed by Primetech under applicable securities Laws since and including October 1, 1999 to and including the date hereof, including Primetech's: (a) annual report to shareholders for the financial year ended September 30, 2000; (b) management proxy circular dated January 10, 2001 in respect of the annual meeting of shareholders held February 16, 2001; (c) annual information form for the year ended September 30, 2000, dated December 31, 2000; (d) interim consolidated financial statements for the three months ended December 31, 2000 and the six months ended March 31, 2001; and (e) press releases and material change reports filed under applicable securities Laws since and including October 1, 1999;

"PRINCIPAL SHAREHOLDERS" means, collectively, McAllister, JM Holdings and TC Holdings;

- 7 -

"SECURITIES AUTHORITIES" means the securities commissions and similar regulatory authorities in each of the provinces and territories of Canada;

"SHARE EXCHANGE RATIO" has the meaning set out in the Plan of Arrangement;

"SHAREHOLDER" means a holder of Primetech Common Shares;

"SUBSIDIARY" means Primetech Electronics (Amherst) Inc., a corporation governed by the CBCA;

"SUPERIOR PROPOSAL" has the meaning set out in Subsection 5.5(a);

"SUPPORT AGREEMENTS" means, collectively: (i) the agreement dated May 31, 2001 between Celestica, JM Holdings and John McAllister; (ii) the agreement dated May 31, 2001 between Celestica and TC Holdings; (iii) the agreement dated May 31, 2001 between Celestica and David Brown; (iv) the agreement dated May 31, 2001

between Celestica and Gordon M. Gray; and (v) the agreement dated May 30, 2001 between Celestica and Galileo Equity Management Inc.;

"TAXES" means any taxes, charges, fees, levies or other assessments, including all net income, gross income, premiums, sales and use, goods and services, harmonized sales, employer health, ad valorem, transfer, gains, profits, windfall profits, excise, franchise, real and personal property, gross receipts, capital stock, production, business and occupation, employment, disability, payroll, licence, stamp, customs duties, severance or withholding taxes, other taxes or similar charges of any kind whatsoever imposed by any Governmental Entity and includes any interest, fines and penalties on or additions to any such taxes or charges or in respect of a failure to comply with any requirement relating to any tax return; and

"TSE" means the Toronto Stock Exchange.

## 1.2 CONSTRUCTION.

In this Agreement, unless otherwise expressly stated or the context otherwise requires:

- (a) references to "herein", "hereby", "hereunder", "hereof" and similar expressions are references to this Agreement and not to any particular Article, Section, Subsection, Clause or Exhibit of or to this Agreement;
- (b) references to an "Article", "Section", "Subsection", "Clause" or "Exhibit" are references to an Article, Section, Subsection, Clause or Exhibit of or to this Agreement;
- (c) words importing the singular shall include the plural and VICE VERSA, words importing gender shall include the masculine, feminine and neuter genders, and references to

- 8 -

a "person" or "persons" shall include individuals, corporations, partnerships, associations, bodies politic and other entities, all as may be applicable in the context;

- (d) the use of headings is for convenience of reference only and shall not affect the construction or interpretation hereof;
- (e) the words "includes" and "including", when following any general term or statement, is not to be construed as limiting the general term or statement to the specific items or matters set forth or to similar items or matters, but rather as referring to all other items or matters that could reasonably fall within the broadest possible scope of the general term or statement; and
- (f) a reference to a statute or code includes every regulation made pursuant thereto, all amendments to the statute or code or to any such regulation in force from time to time, and any statute, code or regulation which supplements or supersedes such statute, code or regulation.

## 1.3 CURRENCY.

All references to currency herein are to lawful money of Canada unless otherwise specified.

## 1.4 KNOWLEDGE.

In this Agreement, "BEST OF THE KNOWLEDGE" when used in relation to any person that is not a natural person, means knowledge of an appropriate senior manager of such person with responsibility for the matter in question after due enquiry.

## 1.5 PRIMETECH DISCLOSURE STATEMENT.

Disclosure by Primetech in any particular schedule or exhibit in the Primetech Disclosure Statement shall constitute disclosure only with respect to that schedule or exhibit and not with respect to any other schedule or exhibit in the Primetech Disclosure Statement.

## ARTICLE 2

### THE ARRANGEMENT

#### 2.1 INTERIM ORDER.

As soon as practicable following the execution of this Agreement, but in any event not later than June 21, 2001, Primetech shall apply to the Court pursuant to subsection 192(3) of the

- 9 -

CBCA for the Interim Order providing for, among other things, the calling and holding of the Meeting for the purpose of obtaining the approval of Shareholders and Optionholders set out in Section 2.5.

#### 2.2 FINAL ORDER.

If the Interim Order and the approval of Shareholders and Optionholders set out in Subsection 2.5 are obtained, Primetech shall promptly thereafter, and, unless otherwise agreed to by the Parties, in any event no later than five Business Days after all other conditions to the Arrangement specified in Article 5 have been satisfied or waived, take all steps necessary or desirable to submit the Arrangement to the Court and apply for the Final Order.

#### 2.3 ARTICLES OF ARRANGEMENT AND EFFECTIVE DATE.

As soon as practicable following receipt of the Final Order, and subject to the satisfaction or waiver of all other conditions provided for in Article 5, Primetech shall file, pursuant to subsection 192(6) of the CBCA, articles of arrangement to give effect to the Arrangement. The steps of the Arrangement shall become effective in the order set out in the Plan of Arrangement.

#### 2.4 MEETING.

Subject to receipt of the Interim Order:

- (a) the Meeting shall be held as soon as practicable following the Interim Order but in any event not later than August 5, 2001 (the "MEETING DEADLINE"), and shall be held on a day to be agreed upon by Celestica and Primetech;
- (b) Primetech shall: (i) by no later than June 30, 2001 (the "MAILING DEADLINE"), prepare the Information Circular in form and substance satisfactory to Celestica, acting reasonably, and will provide Celestica with an opportunity to review, comment on and amend as reasonably necessary or desirable the Information Circular; (ii) file the Information Circular in all jurisdictions where the same is required to be filed by it; and (iii) mail the Information Circular to Shareholders and Optionholders in accordance with the Interim Order and applicable Law; and
- (c) Primetech shall, subject to Section 5.6: (i) through the Primetech Board of Directors, recommend that Shareholders and Optionholders vote in favour of the Arrangement; (ii) use its best efforts to secure the approval of the Arrangement by Shareholders and Optionholders; and (iii) solicit proxies from Shareholders and Optionholders to be voted at the Meeting in favour of the Arrangement;

provided, however, that if the mailing of the Information Circular or the calling or holding of the Meeting is delayed by an injunction or order made by a Governmental Entity of competent

- 10 -

jurisdiction or the Parties not having obtained any regulatory waiver, consent or approval which is necessary to permit the calling and holding of the Meeting, then, provided that such injunction or order is being contested or appealed or such regulatory waiver, consent or approval is being actively sought, as applicable, (x) the Mailing Deadline shall be extended for a period ending on the earlier of July 30, 2001 and the fifth Business Day following the date on which such injunction or order ceases to be in effect or such regulatory waiver, consent or approval is obtained, as applicable, and (y) the Meeting Deadline shall be extended for a period ending on the earlier of September 5, 2001 and such date as is the earliest possible date on which the Meeting may be held under the CBCA following the date on which such injunction or order ceases to be in effect or such regulatory waiver, consent or approval is obtained, as applicable.

2.5 SHAREHOLDER AND OPTIONHOLDER APPROVAL.

The Arrangement shall be subject to the approval of two-thirds of the votes cast by Shareholders and Optionholders present or represented by proxy at the Meeting voting together as a single class (with each Optionholder being entitled to one vote for each Primetech Common Share such holder would have received on a valid exercise of such holder's unexercised Primetech Options) on the record date set by the Primetech Board of Directors for the purpose of determining the Shareholders and Optionholders entitled to receive notice of and to vote at the Meeting.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES OF CELESTICA

Celestica hereby represents and warrants to and in favour of Primetech as follows, and acknowledges that Primetech is relying upon such representations and warranties in connection with the entering into of this Agreement:

3.1 ORGANIZATION AND QUALIFICATION.

Celestica is validly existing under the Laws of the Province of Ontario and has full corporate power and authority to own its assets and conduct its business as now owned and conducted. Celestica is duly qualified to carry on business in each jurisdiction in which the character of its properties, owned or leased, or the nature of its activities, makes such qualification necessary, except where the failure to be so qualified would not be reasonably likely to have a Celestica Material Adverse Effect.

3.2 AUTHORITY RELATIVE TO THIS AGREEMENT.

(i) Celestica has the requisite corporate power and authority to enter into this Agreement and to perform its obligations hereunder. The execution and delivery of this Agreement by Celestica and the consummation by Celestica of the transactions contemplated hereby (including the

- 11 -

Arrangement) have been duly authorized by the board of directors of Celestica and no other corporate proceedings on the part of Celestica are necessary to authorize this Agreement and the transactions contemplated hereby.

(ii) This Agreement has been duly executed and delivered by Celestica and constitutes its valid and binding obligation, enforceable by

Primetech against Celestica in accordance with its terms, except as the enforcement of this Agreement may be limited by bankruptcy, insolvency and other Laws affecting the enforcement of creditors' rights generally and subject to the qualification that equitable remedies may only be granted in the discretion of a court of competent jurisdiction.

(iii) The execution and delivery by Celestica of this Agreement and the performance by it of its obligations hereunder, after obtaining any necessary regulatory approvals, will not:

- (i) violate, conflict with or result in a breach of any provision of:
  - (A) the constating documents of Celestica;
  - (B) any agreement, contract, indenture, deed of trust, mortgage, bond, instrument, licence, franchise or permit to which Celestica is a party or by which it is bound; or
  - (C) any Law to which Celestica is subject or by which it is bound;
- (ii) give rise to any right of termination, or acceleration of indebtedness, or cause any indebtedness to come due before its stated maturity or give rise to any right of termination under any agreement, contract, licence, franchise or permit which is material to Celestica and its subsidiaries taken as a whole; or
- (iii) result in the imposition of any Encumbrance upon any of the assets of Celestica or any of its subsidiaries,

other than any such violations, conflicts, breaches, rights or Encumbrances as will not, individually or in the aggregate, have a Celestica Material Adverse Effect or prevent or materially delay the consummation of the transactions contemplated by this Agreement.

### 3.3 ISSUANCES OF CELESTICA SUBORDINATE VOTING SHARES PURSUANT TO THE PLAN OF ARRANGEMENT.

(i) The unissued Celestica Subordinate Voting Shares to be issued by Celestica to Shareholders pursuant to the Plan of Arrangement have been duly and validly authorized and, when issued and delivered in exchange for any Primetech Common Shares pursuant to the Plan of Arrangement, will be duly and validly issued as fully paid and non-assessable shares in the capital of Celestica.

- 12 -

(ii) The issuance by Celestica of the Celestica Subordinate Voting Shares pursuant to the Plan of Arrangement is exempt from the prospectus and registration requirements of the applicable Canadian and United States securities Laws and no prospectus or similar document is required to be delivered by Celestica to Shareholders in Canada or the United States in connection with such issuance and no other documents are required to be filed, proceedings taken or approvals, permits, consents or authorizations of regulatory authorities obtained under securities Laws to permit the issuance of such Celestica Subordinate Voting Shares to the Shareholders, other than as contemplated hereby including the requirement to file with the TSE a notice of the proposed issuance of such Celestica Subordinate Voting Shares and to obtain the approval of the NYSE of the listing of such Celestica Subordinate Voting Shares, subject to notice of issuance.

(iii) The Celestica Subordinate Voting Shares to be issued pursuant to the Plan of Arrangement, when issued pursuant to the Plan of Arrangement, shall not be subject to resale restrictions in Canada under applicable securities Laws, other than resale restrictions in respect of control persons and subject to registration and other non-prospectus requirements of general

application relating to the sale of shares.

(iv) Subject to the receipt by Celestica of any required regulatory approvals, the unissued Celestica Subordinate Voting Shares to be issued upon the exercise of the Exchanged Options have been duly and validly authorized and, when duly and validly issued upon the exercise of such options in accordance with the terms of the Primetech Option Plan (including the receipt by Celestica of the exercise price therefor), will be duly and validly issued as fully-paid and non-assessable shares in the capital of Celestica.

#### 3.4 PUBLIC FILINGS.

Celestica has filed with the Securities Authorities, stock exchanges and all applicable self-regulatory authorities true and complete copies of all forms, reports, schedules, statements, material change reports and other documents required to be filed by it since January 1, 2000. The Celestica Public Documents did not, as of their respective dates, contain any untrue statement of a material fact that is materially adverse to Celestica and its subsidiaries, taken as a whole, or omit to state a material fact that is materially adverse to Celestica and its subsidiaries, taken as a whole, required to be stated therein or necessary to make the statements relating to Celestica and its subsidiaries, taken as a whole, in light of the circumstances under which they were made, not misleading. Celestica has not filed any confidential material change or other report or other document with any Securities Authority or stock exchange or other self-regulatory authority which at the date hereof remains confidential.

#### 3.5 FINANCIAL STATEMENTS.

The audited consolidated financial statements of Celestica as at and for the financial year ended December 31, 2000, including the notes thereto and the report of Celestica's auditors thereon, and the unaudited consolidated financial statements of Celestica as at and for the three

- 13 -

months ended March 31, 2001 were prepared in accordance with generally accepted accounting principles in Canada applied on a basis consistent with prior periods, are correct and complete and present fairly the assets, liabilities (whether accrued, absolute, contingent or otherwise) and financial condition of Celestica and its subsidiaries on a consolidated basis as at the respective dates thereof and the revenues, earnings and results of operations of Celestica and its subsidiaries on a consolidated basis for the respective periods covered thereby.

#### 3.6 ABSENCE OF CERTAIN CHANGES OR EVENTS.

Except as disclosed in the Celestica Public Documents, since January 1, 2001: (a) Celestica and its subsidiaries have conducted their respective businesses only in the usual, ordinary and regular course and consistent with past practice; (b) no liability or obligation of any nature (whether absolute, accrued, contingent or otherwise) which has had or is reasonably likely to have a Celestica Material Adverse Effect, has been incurred; and (c) there has not been any event which has had or is reasonably likely to have a Celestica Material Adverse Effect.

### ARTICLE 4

#### REPRESENTATIONS AND WARRANTIES OF PRIMETECH

Primetech represents and warrants to and in favour of Celestica as follows, and acknowledges that Celestica is relying upon such representations and warranties in connection with the entering into of this Agreement:

#### 4.1 ORGANIZATION AND QUALIFICATION.

Primetech is validly existing as a corporation under the CBCA



and has full corporate power and authority to own its assets and conduct its business as now owned and conducted. Primetech is duly qualified to carry on business, and is in good standing, in each jurisdiction in which the character of its properties, owned or leased, or the nature of its activities makes such qualification necessary, except where the failure to be so qualified would not have a Primetech Material Adverse Effect. Copies of the Primetech Articles dated January 1, 1999 and the by-laws of Primetech previously delivered to Celestica are accurate and complete as of the date hereof and have not been amended or superseded, and Primetech has not taken any action to amend or supersede such documents.

#### 4.2 AUTHORITY RELATIVE TO THIS AGREEMENT.

(i) Primetech has the requisite corporate power and authority to enter into this Agreement and to perform its obligations hereunder. The execution and delivery of this Agreement by Primetech and the consummation by Primetech of the transactions contemplated hereby have been duly authorized by the Primetech Board of Directors and no other corporate proceedings on the part

- 14 -

of Primetech are necessary to authorize this Agreement and the transactions contemplated hereby other than: (i) the approval of the Arrangement by Shareholders and Optionholders as contemplated herein; and (ii) the approval of the Information Circular by the Primetech Board of Directors.

(ii) This Agreement has been duly executed and delivered by Primetech and constitutes its valid and binding obligation, enforceable by Celestica against Primetech in accordance with its terms, except as the enforcement of this Agreement may be limited by bankruptcy, insolvency and other Laws affecting the enforcement of creditors' rights generally and subject to the qualification that equitable remedies may only be granted in the discretion of a court of competent jurisdiction.

(iii) The execution and delivery by Primetech of this Agreement and the performance by it of its obligations hereunder, after obtaining any necessary regulatory, court and shareholder approvals, will not:

- (i) violate, conflict with or result in a breach of any provision of:
  - (A) the constating documents of Primetech or the Subsidiary;
  - (B) any agreement, contract, indenture, deed of trust, mortgage, bond, instrument, licence, franchise or permit to which it or the Subsidiary is a party or by which it or the Subsidiary is bound; or
  - (C) any Law to which it or the Subsidiary is subject or by which it or the Subsidiary is bound;
- (ii) except as disclosed in the Primetech Disclosure Statement, give rise to any right of termination, or acceleration of indebtedness, or cause any indebtedness to come due before its stated maturity or give rise to any right of termination under any agreement, contract, indenture, deed of trust, mortgage, bond, instrument, licence, franchise or permit which is material to Primetech and the Subsidiary taken as a whole; or
- (iii) give rise to any rights of first refusal or change in control or influence or any restriction or limitation under any such agreement, contract, indenture, deed of trust, mortgage, bond, instrument, licence, franchise or permit, or result in the imposition of any Encumbrance upon any of Primetech's assets or the

Subsidiary's assets,

other than any such violations, conflicts, breaches, rights or Encumbrances as will not, individually or in the aggregate, have a Primetech Material Adverse Effect or prevent or materially delay the consummation of the transactions contemplated by this Agreement.

- 15 -

4.3 CAPITALIZATION.

(i) The authorized equity capital of Primetech consists of an unlimited number of Primetech Common Shares, and an unlimited number of preferred shares, issuable in series. As at May 28, 2001, 15,491,090 Primetech Common Shares and no preferred shares are issued and outstanding. All outstanding Primetech Common Shares have been duly authorized and are validly issued and outstanding as fully paid and non-assessable shares.

(ii) As at May 28, 2001, 1,312,008 Primetech Options are outstanding, providing for the issuance of 1,312,008 Primetech Common Shares upon the exercise thereof, and the terms of Primetech Options granted (including exercise price, vesting and the name of the person to whom they have been granted) have been disclosed in the Primetech Disclosure Statement. No Primetech Options have been granted since May 28, 2001.

(iii) Except as described in the Primetech Disclosure Statement, there are no options, warrants, conversion privileges, calls or other rights (whether pre-emptive, contingent or otherwise and including any rights pursuant to any shareholder rights plan of Primetech), agreements, arrangements, commitments or obligations of Primetech or the Subsidiary to issue or sell any shares of any capital stock of Primetech or the Subsidiary or securities or obligations of any kind convertible into or exchangeable for any shares of capital stock of Primetech or the Subsidiary, nor are there outstanding any stock appreciation rights, phantom equity or similar rights, agreements, arrangements or commitments based upon the book value, income or any other attribute of Primetech or the Subsidiary. There are no outstanding contractual obligations of Primetech or the Subsidiary to repurchase, redeem or otherwise acquire any outstanding Primetech Common Shares or with respect to the voting or disposition of any outstanding Primetech Common Shares.

(iv) There are no outstanding bonds, debentures or other evidences of indebtedness of Primetech or the Subsidiary having the right to vote (or that are convertible into or exercisable for securities having the right to vote) with Shareholders on any matter.

4.4 SUBSIDIARY.

The Subsidiary is the sole subsidiary of Primetech and is validly existing as a corporation in good standing under the CBCA, has full corporate power and authority to own its assets and conduct its business as now owned and conducted by it and is duly qualified to carry on business in each jurisdiction in which the character of its properties, owned or leased, or the nature of its activities, makes such qualification necessary, except where the failure to be so qualified will not have a Primetech Material Adverse Effect. All of the outstanding shares and other ownership interests of the Subsidiary are validly issued, fully paid and non-assessable and all such shares and other ownership interests are owned directly by Primetech free and clear of all Encumbrances. Neither Primetech nor the Subsidiary has any interest in any other corporation or entity.

- 16 -

4.5 TITLE TO PROPERTIES.

Each of Primetech and the Subsidiary has sufficiently good and valid title to, or an adequate leasehold interest in, its respective material

properties and assets (including real property), in order to allow it to conduct, and continue to conduct, its business as currently conducted in all material respects.

#### 4.6 INVENTORIES.

Except as described in the Primetech Disclosure Statement and except for reasonable variation in the normal course of an electronics manufacturing services business, the Inventory does not include any material items of obsolete, custom or customer specific inventory that is not supported by customer demand or appropriate customer forecasts communicated to Primetech, the value of which has not been written down on its books of account to net realizable market value. The Inventory levels of Primetech and the Subsidiary have been maintained at such amounts as are reasonable and required for the ongoing operation of their respective businesses.

#### 4.7 INTELLECTUAL PROPERTY.

The Primetech Disclosure Statement includes a complete and accurate list of all Intellectual Property owned or used by Primetech or the Subsidiary. Primetech and the Subsidiary own or possess the right to use all Intellectual Property necessary or desirable for the conduct of their respective businesses in a manner consistent with past practices, free and clear of any Encumbrances. No claim has been made that the conduct of the business of Primetech or the Subsidiary infringes or breaches any Intellectual Property rights of any person, nor has Primetech or the Subsidiary received any notice that the conduct of the business, including the use of the Intellectual Property owned or used by Primetech, infringes upon or breaches any Intellectual Property rights of any person, and, to the best of the knowledge of Primetech, there has been no infringement or violation of any of the rights of Primetech or the Subsidiary in such Intellectual Property. The conduct of the business of Primetech or the Subsidiary does not infringe upon the Intellectual Property rights, domestic or foreign, of any person. Primetech is not aware of any state of facts which casts doubt on the validity or enforceability of any of the Intellectual Property owned or used by Primetech or the Subsidiary. Primetech has provided to Celestica a true and complete copy of all contracts and amendments thereto which comprise or relate to the Intellectual Property owned or used by Primetech or the Subsidiary. Primetech or the Subsidiary, as applicable, has renewed or made application to renew all registrations of Intellectual Property owned by Primetech or the Subsidiary and has paid all applicable fees, all within the applicable renewal periods. All of the licences of Intellectual Property used by Primetech or the Subsidiary and, to the best of the knowledge of Primetech, all of the Intellectual Property licensed under such licences, are in full force and effect. Neither Primetech nor the Subsidiary is in breach of or in default in any material respect under any licences of Intellectual Property owned or used by Primetech. Primetech or the Subsidiary, as applicable, has employed commercially reasonable measures to identify and protect all Intellectual Property owned or used by Primetech.

- 17 -

#### 4.8 INSURANCE.

Policies of insurance in force as of the date hereof naming Primetech or the Subsidiary as an insured adequately cover all risks reasonably and prudently foreseeable in the operation and conduct of the business of Primetech and the Subsidiary. All such policies of insurance shall remain in full force and effect and shall not be cancelled or otherwise terminated as a result of the Arrangement and the transactions contemplated hereby.

#### 4.9 CONTRACTS.

Neither Primetech nor the Subsidiary is a party to or bound by any non-competition agreement or other agreement, obligation, judgment, injunction, order or decree that purports to: (a) limit the manner or the localities in which all or a material portion of the business of Primetech or the Subsidiary is or would be conducted; (ii) limit any business practice of Primetech or the Subsidiary; or (iii) restrict any acquisition of property by Primetech or the Subsidiary, other than such contracts which would not, individually or in the aggregate, have a Primetech Material Adverse Effect.

Neither Primetech nor the Subsidiary is in default under and there exists no event, condition or occurrence which, after notice or lapse of time or both, would constitute a default under, any contract, agreement or licence to which it is a party or by which it is bound which would, if terminated due to such default, individually or in the aggregate, have a Primetech Material Adverse Effect.

#### 4.10 COMPLIANCE WITH LAWS; LICENCES.

Each of Primetech and the Subsidiary has complied with and is in compliance with all Laws and regulations applicable to the operation of their respective businesses, except where failure so to comply will not, individually or in the aggregate, have a Primetech Material Adverse Effect, and each of them has all licences, permits, approvals, consents, certificates, registrations and authorizations (whether governmental, regulatory or otherwise) ("LICENCES") and has made all required registrations with, and has submitted all required regulatory reports and tariff payments to, any Governmental Entity, except where the failure to so obtain such Licences, or make such registrations, filings or payments, would not, individually or in the aggregate, have a Primetech Material Adverse Effect.

#### 4.11 FINANCIAL STATEMENTS.

The audited consolidated financial statements of Primetech for the financial year ended September 30, 2000, including the notes thereto and the report of Primetech's auditors thereon, and the unaudited consolidated financial statements of Primetech as at and for the three months ended December 31, 2000 and the six months ended March 31, 2001, all as contained in the Primetech Public Documents, in each case prepared in accordance with Canadian generally accepted accounting principles applied on a basis consistent with prior periods, are correct and complete and

- 18 -

present fairly the assets, liabilities (whether accrued, absolute, contingent or otherwise) and financial condition of Primetech and the Subsidiary on a consolidated basis as at the respective dates thereof and the revenues, earnings and results of operations of Primetech and the Subsidiary on a consolidated basis for the respective periods covered thereby.

#### 4.12 BOOKS AND RECORDS.

The corporate records and minute books of Primetech and the Subsidiary have been maintained substantially in accordance with all applicable Laws and are complete and accurate in all material respects. Financial books and records and accounts of Primetech and the Subsidiary in all material respects: (a) have been maintained in accordance with good business practices on a basis consistent with prior years; (b) are stated in reasonable detail and accurately and fairly reflect the transactions of Primetech and the Subsidiary; and (c) accurately and fairly reflect the basis for Primetech's consolidated financial statements. Primetech has devised and maintains a system of internal accounting control sufficient to provide reasonable assurances that, in all material respects: (a) transactions are executed in accordance with management's general or specific authorization; and (b) transactions are recorded as necessary to permit preparation of financial statements in conformity with Canadian generally accepted accounting principles and to maintain accountability for assets.

#### 4.13 ABSENCE OF CHANGES.

Except as disclosed in the Primetech Disclosure Statement and the Primetech Public Documents, since October 1, 2000:

- (a) Primetech and the Subsidiary have conducted their respective businesses only in the ordinary and regular course of business consistent with past practice;
- (b) Primetech and the Subsidiary have not incurred any liabilities or obligations of any nature (whether absolute, accrued, contingent or otherwise) which would, individually or in the aggregate, be reasonably likely to have a Primetech Material

Adverse Effect;

- (c) there has not been any event which has had or is reasonably likely to have a Primetech Material Adverse Effect;
- (d) there has not occurred any damage, destruction or loss that is not covered by insurance that would, individually or in the aggregate, have a Primetech Material Adverse Effect;
- (e) there has not been any acquisition or sale by Primetech or the Subsidiary of property or assets aggregating 5% or more of Primetech's total consolidated property and assets as at September 30, 2000;

- 19 -

- (f) other than in the ordinary course of business consistent with past practice, there has not been any incurrence, assumption or guarantee by Primetech or the Subsidiary of any debt for borrowed money, any creation or assumption by Primetech or the Subsidiary of any Encumbrance, any making by Primetech or the Subsidiary of any loan, advance or capital contribution to or investment in any other person or any entering into, amendment of, relinquishment, termination or non-renewal by Primetech or the Subsidiary of any contract, agreement, licence, franchise, lease transaction, commitment or other right or obligation that would, individually or in the aggregate, have a Primetech Material Adverse Effect;
- (g) Primetech has not declared or paid any dividends or other distributions on any outstanding securities;
- (h) Primetech has not effected or passed any resolution to approve a split, combination or reclassification of any of its outstanding securities;
- (i) neither Primetech nor the Subsidiary has granted any increase in aggregate cash compensation payable to any director, officer or employee, except in the ordinary course of business consistent with past practice, or granted to any such director, officer or employee any increase in severance or termination pay or any increase or modification in any bonus, pension, insurance or benefit arrangement (including the granting of any Primetech Options) made to, for or with any such directors, officers or employees;
- (j) there has not been any labour dispute or charge of unfair labour practice, any activity or proceeding to the best of the knowledge of Primetech by a labour union or representative thereof to organize any of the employees of Primetech or the Subsidiary or any campaign to solicit authorization from employees to be represented by such labour union; and
- (k) Primetech has not effected any material change in its accounting methods, principles or practices.

4.14 TAXES.

(i) Each of Primetech and the Subsidiary has duly and timely filed all tax returns required to be filed by it and all such tax returns are true, complete and correct in all material respects.

(ii) Each of Primetech and the Subsidiary has paid all Taxes which are due and payable by it on or before the date hereof, other than those which are being contested in good faith and in respect of which adequate reserves have been provided in the most recently published financial statements of Primetech.

(iii) There are no actions, suits, proceedings, investigations or claims pending against, or to the best of the knowledge of Primetech, threatened against, Primetech or the Subsidiary in respect of Taxes or any matters under discussion with any Governmental Entity relating to Taxes asserted by any such authority, in each case which are likely to have a Primetech Material Adverse Effect.

(iv) There are no liens for Taxes upon any asset of Primetech or the Subsidiary except liens for Taxes not yet due.

(v) There are no agreements, waivers or other arrangements providing for an extension of time with respect to the filing, assessment or reassessment of any Taxes payable by Primetech or the Subsidiary.

(vi) Each of Primetech and the Subsidiary has collected or withheld all amounts required to be collected or withheld by it on account of Taxes or otherwise, and has remitted the same to the appropriate governmental authority in the manner and within the time required under any applicable legislation or has set it aside in appropriate accounts for payment when due.

#### 4.15 LITIGATION, ETC.

There is no claim, action, proceeding or investigation pending or, to the best of the knowledge of Primetech, threatened against or relating to Primetech or the Subsidiary or affecting any of their properties or assets before or by any court or governmental or regulatory authority or body or other Governmental Entity which, if adversely determined, is likely to have a Primetech Material Adverse Effect or prevent or materially delay the consummation of the transactions contemplated by this Agreement, nor is Primetech aware of any basis for any such claim, action, proceeding or investigation. Neither Primetech nor the Subsidiary is subject to any outstanding order, writ, injunction or decree which has had or is reasonably likely to have a Primetech Material Adverse Effect or which would prevent or materially delay the consummation of the transactions contemplated by this Agreement.

#### 4.16 ENVIRONMENTAL.

(i) Except for matters that individually or in the aggregate would not have a Primetech Material Adverse Effect, each of Primetech and the Subsidiary has been and is in full compliance with and has not been and is not liable under any applicable federal, provincial, municipal, local or foreign Laws, statutes, ordinances and regulations, and orders, directives and decisions rendered by, and policies, instructions, guidelines and similar guidance of, any ministry, department or administrative or regulatory agency or other Governmental Entity, including the common law, each as supplemented or amended from time to time ("ENVIRONMENTAL LAWS") relating to pollution or the protection of the environment or natural resources, occupational or public health and safety or the manufacture, processing, distribution, use, treatment, storage, disposal, discharge, packaging, transport, handling, containment, clean-up or other remediation or corrective action of any pollutants, contaminants, chemicals, deleterious substances or industrial, toxic, hazardous or radioactive wastes

or substances, including any admixture thereof and specifically including petroleum and all derivatives thereof or synthetic substitutes therefor and asbestos or asbestos containing materials ("HAZARDOUS SUBSTANCES").

(ii) Except for matters that individually or in the aggregate would not have a Primetech Material Adverse Effect, each of Primetech and the Subsidiary has all Licences required under Environmental Laws for the operation of its business as currently conducted.

(iii) Except for matters that individually or in the aggregate would

not have a Primetech Material Adverse Effect, neither Primetech nor the Subsidiary has used or permitted to be used, except in compliance with all Environmental Laws, any of its properties or facilities or any property or facility which it previously owned, operated, occupied, used or leased (during the period of that corporation's ownership, operation, occupation, use or lease) to generate, manufacture, process, distribute, use, treat, store, dispose of, transport or handle any Hazardous Substance. To the best of the knowledge of Primetech and the Subsidiary, no underground storage tanks are or have been located on the any such property or facility.

(iv) Neither Primetech nor the Subsidiary has ever received any notice of, or been prosecuted for, non-compliance with any Environmental Laws or has ever settled any allegation of non-compliance prior to prosecution. Neither Primetech nor the Subsidiary has received any notices, orders or directions relating to environmental matters notifying Primetech or the Subsidiary that it is or may be responsible for or requiring any investigation, containment, clean-up, remediation or corrective action or any work, repairs, construction or capital expenditures to be made under Environmental Laws with respect to the business or any current or former property or facility owned, operated, occupied, used or leased by Primetech or the Subsidiary.

(v) Except for matters that individually or in the aggregate would not have a Primetech Material Adverse Effect, each of Primetech and the Subsidiary has not caused, contributed to, or permitted, nor has there been, any release, emission, spill or discharge, in any manner whatsoever, by Primetech or the Subsidiary or, to the best of the knowledge of Primetech and the Subsidiary, any other person or entity whatsoever, of any Hazardous Substance, nor has either of Primetech and the Subsidiary owned, had custody of or controlled any Hazardous Substance, on, in, around, from or in connection with any of the current or former properties, assets or facilities owned, operated, occupied, used or leased by, or under the care, management or control of, Primetech or the Subsidiary, as principal or agent, or any entity of which either of Primetech or the Subsidiary is a successor, assignee, administrator, receiver, receiver manager or trustee (as those terms are used in the definition of "person responsible" in the NOVA SCOTIA ENVIRONMENT ACT) or their use, or any such release or presence on or from a property or facility owned or operated by any third party but with respect to which Primetech or the Subsidiary, as the case may be, is or may reasonably be alleged to have liability. All Hazardous Substances and all other wastes and other materials and substances used, generated or handled in whole or in part by Primetech or the Subsidiary or resulting from their respective business have been disposed of, treated and stored by Primetech or the Subsidiary, as the case may be, in full compliance with all Environmental Laws and none have been disposed of

- 22 -

outside of Canada. Except in compliance with Environmental Laws, there are no Hazardous Materials on any property owned, operated, occupied, used or leased by Primetech or the Subsidiary, as principal or agent, or any entity of which either of Primetech or the Subsidiary is a successor, assignee, administrator, receiver, receiver manager or trustee (as those terms are used in the definition of "person responsible" in the NOVA SCOTIA ENVIRONMENT ACT).

(vi) Primetech has delivered to Celestica true and complete copies of all environmental audits, evaluations, assessments, studies, reports, tests and internal memoranda relating to Primetech, the Subsidiary, their respective businesses, properties or any other premises for whose conduct Primetech or the Subsidiary, as the case may be, is or may be held responsible and its use which is within the possession or control of Primetech or the Subsidiary, as the case may be.

#### 4.17 EMPLOYEES.

(i) Except for the Employment Agreements, neither Primetech nor the Subsidiary has entered into any written or oral agreement providing for severance or termination payments upon a change of control to any director, officer or employee of Primetech or the Subsidiary.

(ii) Neither Primetech nor the Subsidiary:

- (i) is a party to any collective bargaining agreement;
- (ii) is subject to any application for certification or, to the best of the knowledge of Primetech, threatened or apparent union-organizing campaigns for employees not covered under a collective bargaining agreement; or
- (iii) has any current, pending or, to the best of the knowledge of Primetech, threatened strike or lock-outs.

(iii) Primetech and the Subsidiary have operated in accordance with all applicable Laws in all material respects with respect to employment and labour, including, but not limited to, employment and labour standards, occupational health and safety, employment equity, pay equity, workers' compensation, human rights and labour relations, and there are no current, pending or threatened proceedings before any board or tribunal with respect to any of the areas listed herein.

(iv) The Primetech Disclosure Statement sets out a complete and accurate list of the names of all individuals who are full-time, part-time or casual employees or individuals engaged on contract to provide employment services or sales or other agents or representatives of Primetech or the Subsidiary ("EMPLOYEES") specifying the date of hire, title or classification and rate of salary or hourly pay, vacation accrued, and date of hire for each such Employee. Such list includes all Employees as at the date hereof including those on lay-off or leave of absence, who have been absent continually from work for a period in excess of one month, as well as the reason for their absence.

- 23 -

(v) Neither Primetech nor the Subsidiary has made any commitment to provide, or any representation in respect of, any general increase in the compensation of any Employees (including any increase pursuant to a Primetech Benefit Plan) or any increase in any such compensation or bonus payable to any Employee, or to make any loan to, or to engage in any transaction with, any Employee.

(vi) All accruals for unpaid vacation pay, premiums for unemployment insurance, health premiums, Canadian Pension Plan premiums, accrued wages, salaries and commissions, severance pay and employee benefit plan payments have been reflected in the books and records of Primetech. Neither Primetech nor the Subsidiary has any liabilities or any obligations whatsoever in respect of any retired or former Employee.

#### 4.18 BENEFIT PLANS.

(a) Except as disclosed in the Primetech Disclosure Statement:

- (i) each Primetech Benefit Plan has been administered, operated and funded in material compliance with its terms and all applicable Laws and there are no unfunded liabilities in respect of such Primetech Benefit Plan and all required contributions thereunder have been made in compliance with:
  - (A) all applicable Laws; and
  - (B) the terms of such Primetech Benefit Plan; and
- (ii) neither Primetech nor the Subsidiary has any pension or retirement plan or other similar arrangement, other than the Pension Agreements, and Primetech has delivered to Celestica true and complete copies of the Pension Agreements and all actuarial assessments of Primetech's obligations under the Pension



#### Agreements.

(ii) Primetech has not taken any action under the Primetech Option Plan to accelerate the time at which any Primetech Options may be exercised or to affect the time during which any Primetech Options will be exercisable.

#### 4.19 CUSTOMERS.

Except for changes regarding pricing previously communicated to Celestica by Primetech, there has been no termination or cancellation of, and no modification or change in, the business relationship of Primetech or the Subsidiary with any material customer or material group of customers since September 30, 2000. There is no reason to believe that the benefits of any relationship with any of such customers will not continue after the Effective Date in substantially the same manner as prior to the date of this Agreement.

- 24 -

#### 4.20 PUBLIC FILINGS.

Primetech has filed with the Securities Authorities, stock exchanges and all applicable self-regulatory authorities true and complete copies of all forms, reports, schedules, statements, material change reports and other documents required to be filed by it since October 1, 1999. The Primetech Public Documents are, as of their respective dates, in compliance in all material respects with applicable securities Laws and did not contain any untrue statement of a material fact that is materially adverse to Primetech and the Subsidiary and their respective businesses or omit to state a material fact that is materially adverse to Primetech and the Subsidiary and their respective businesses required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Primetech has not filed any confidential material change or other report or other document with any Securities Authority or stock exchange or other self-regulatory authority which at the date hereof remains confidential.

#### 4.21 APPROVAL OF ARRANGEMENT.

(i) The Primetech Board of Directors unanimously has determined, after consultation with its financial and legal advisors, that the Arrangement is fair to the Shareholders and Optionholders and in the best interests of Primetech and the Primetech Board of Directors has unanimously resolved to recommend that Shareholders and Optionholders vote in favour of the Arrangement; provided, however, that the Primetech Board of Directors expressed no opinion as to the fairness, from a financial point of view, to the Principal Shareholders of the consideration offered under the Arrangement.

(ii) The Primetech Board of Directors has received a written opinion from CIBC World Markets Inc. that the consideration to be received under the Arrangement by Shareholders is fair from a financial point of view to Shareholders, and such opinion has not been withdrawn or amended or modified in any material way; provided, however, that CIBC World Markets Inc. expressed no opinion as to the fairness, from a financial point of view, to the Principal Shareholders of the consideration offered under the Arrangement.

(iii) After reasonable enquiry, the Primetech Board of Directors has been advised and believes that each of the members of the Primetech Board of Directors and the Named Executive Officers (as defined in Primetech's Management Proxy Circular dated January 10, 2001) intends to vote in favour of the Arrangement all Primetech Common Shares (including any Primetech Common Shares issued on the exercise of Primetech Options) of which he or she is the beneficial owner or over which he or she has direction or control and all Primetech Options issued to such person.

#### 4.22 FULL DISCLOSURE.

Primetech has disclosed to Celestica all material facts relating to the business, operations, financial condition, capitalization, assets, obligations, liabilities and prospects of

Primetech and the Subsidiary, taken as a whole, which would reasonably be expected to be material to an intending purchaser of all of the outstanding Primetech Common Shares.

## ARTICLE 5

### COVENANTS

#### 5.1 PUBLIC STATEMENTS.

Except as required by applicable Law or the requirements of any stock exchange on which the Primetech Common Shares or Celestica Subordinate Voting Shares are listed, no Party shall make any public announcement or statement with respect to the Arrangement or this Agreement without the approval of Primetech and Celestica, such approval not to be unreasonably withheld or delayed, except to the extent necessary to comply with Law. Moreover, in any event, each Party agrees to give prior notice to the other of any public announcement relating to the Arrangement or this Agreement or the affairs of Primetech, the Subsidiary or Celestica, and agrees to consult with each other and to provide the other Parties with a reasonable opportunity to review and comment on such public announcement prior to issuing each such public announcement.

#### 5.2 LISTING OF CELESTICA SUBORDINATE VOTING SHARES.

Celestica hereby covenants and agrees with Primetech that, unless Primetech otherwise agrees, Celestica shall use its best efforts to obtain: (i) the acceptance of the TSE of the notice of the proposed issuance of the Celestica Subordinate Voting Shares to be issued pursuant to the Plan of Arrangement and to be issued upon the exercise of Exchanged Options; (ii) conditional approval of the listing of such Celestica Subordinate Voting Shares on the TSE, subject to Celestica filing customary documents with the TSE; and (iii) the approval of the NYSE of the listing of such Celestica Subordinate Voting Shares, subject to notice of issuance.

#### 5.3 COVENANTS OF PRIMETECH.

Primetech hereby covenants and agrees with Celestica that unless Celestica otherwise agrees or as expressly contemplated or permitted by this Agreement:

- (a) in a timely and expeditious manner and in cooperation with Celestica, it will file, proceed with and diligently prosecute an application to the Court for the Interim Order on a date acceptable to Celestica and in any event no later than June 21, 2001;
- (b) in a timely and expeditious manner it will:
  - (i) carry out or cause to be carried out such terms of the Interim Order as are required under the terms thereof to be done by Primetech or the Subsidiary;

- (ii) prepare the Information Circular and provide Celestica with reasonable opportunity to review and comment thereon, file the Information Circular in all jurisdictions where the same is required to be filed and mail the Information Circular as ordered by the Interim Order in any event not later than the Mailing Deadline and in accordance with all applicable Laws

of Canada and the United States, complying in all material respects with all such Laws on the date of mailing thereof and containing full, true and plain disclosure of all material facts relating to the Arrangement and Primetech and the Subsidiary and not containing any misrepresentation (as defined under applicable securities Laws) with respect thereto, where such information has been supplied by or relates to Primetech or the Subsidiary;

- (iii) convene the Meeting in accordance with the Interim Order;
  - (iv) provide notice to Celestica of the Meeting and allow Celestica's representatives to attend the Meeting unless such attendance is prohibited by the Interim Order; and
  - (v) conduct the Meeting in accordance with the Interim Order, the by-laws of Primetech and applicable Laws, and in cooperation with Celestica;
- (c) in a timely and expeditious manner, it will prepare (in consultation with Celestica) and file any mutually agreed (or otherwise required by applicable securities Laws) amendments or supplements to the Information Circular and mail the same as required by the Interim Order and in accordance with all applicable securities Laws, in all jurisdictions where the same is required, complying in all material respects with all applicable legal requirements on the date of mailing thereof;
- (d) subject to the approval of the Arrangement at the Meeting in accordance with the provisions of the Interim Order, it will:
- (i) as soon as possible thereafter file, proceed with and diligently prosecute an application for the Final Order in cooperation with Celestica, and in applying for the Final Order, it will seek to cause the terms thereof to be consistent with the provisions of this Agreement and will oppose any proposal from any interested party that the Final Order contain any provision inconsistent with this Agreement; and
  - (ii) if, at any time after the issuance of the Final Order and prior to the Effective Date, Primetech is required by the terms of the Final Order or by Law to return to Court with respect to the Final Order, it shall do so after notice to, and in consultation and cooperation with, Celestica;
- (e) it will carry out the terms of the Interim Order and the Final Order as soon as possible after the issuance of the Interim Order and the Final Order and, subject to the receipt of the Final Order, the satisfaction of the conditions precedent in favour of Primetech

- 27 -

and the receipt of the written confirmation of Celestica that the conditions precedent in favour of Celestica have been satisfied or waived (which such confirmation Celestica shall provide upon the satisfaction or waiver of all of the said conditions precedent), file Articles of Arrangement and the Final Order with the Director in order for the Arrangement to become effective;

- (f) except for proxies and other non-substantive communications, it will furnish promptly to Celestica a copy of each notice, report, schedule or other document or communication delivered, filed or received by Primetech or the Subsidiary in connection with the Arrangement or the Interim Order, the Meeting, or any other meeting that securityholders of Primetech are entitled to attend in such capacity, and any filings under Laws and any dealings with regulatory agencies in connection with, or in

any way affecting, the transactions contemplated herein;

- (g) it shall use commercially reasonable efforts to satisfy (or cause the satisfaction of) the conditions precedent to its and Celestica's obligations hereunder set forth in Article 6 to the extent the same are within its control and to take, or cause to be taken, all other action and to do, or cause to be done, all other things necessary, proper or advisable under all Laws to complete the Arrangement, to the extent applicable, including using commercially reasonable efforts to:
- (i) obtain all necessary consents, approvals and authorizations as are required to be obtained by it under any Law, provided such consents, approvals or authorizations are satisfactory to Primetech, acting reasonably;
  - (ii) effect all necessary registrations, notifications and filings and submissions of information requested by Governmental Entities required to be effected by it in connection with the transactions contemplated hereby and participate and appear in any proceedings relating to the transactions contemplated hereby before Governmental Entities;
  - (iii) oppose, lift or rescind any injunction or restraining order or other order or action seeking to stop, or otherwise adversely affecting the ability of the Parties to consummate the Arrangement;
  - (iv) fulfill all conditions precedent to the obligations of any of the Parties under this Agreement (to the extent that the fulfilment of such conditions is under the control of Primetech or the Subsidiary) and satisfy all provisions of this Agreement and the Arrangement applicable to it; and
  - (v) cooperate with Celestica in connection with the performance by Celestica of its obligations hereunder;

- 28 -

provided, however, that nothing in this Subsection 5.3(g) shall require Primetech to waive any condition hereto or limit the exercise of any right or discretion enjoyed by Primetech under this Agreement;

- (h) it shall not, and shall cause the Subsidiary not to, take any action, refrain from taking any action, or permit any action to be taken or not taken, inconsistent with this Agreement or which would reasonably be expected to significantly delay or impede the consummation of the Arrangement, provided that where Primetech is required to take any such action or refrain from taking such action as a result of this Agreement, Primetech shall immediately notify Celestica in writing of such circumstances;
- (i) it will, and will cause the Subsidiary to, conduct its and their respective businesses only in, not take any action except in, and maintain their respective facilities in, the ordinary and regular course of business;
- (j) it will not directly or indirectly do or permit to occur any of the following: (i) issue, sell, pledge, lease, dispose of, encumber or grant rights to use in or agree to issue, sell, pledge, lease, dispose of, encumber or grant rights to use in: (A) any additional shares of, or any options, warrants, calls, conversion privileges or rights of any kind to acquire any

shares of, any capital stock of Primetech (other than pursuant to the exercise of Primetech Options currently outstanding); or (B) except in the ordinary course of business, any assets of Primetech or the Subsidiary; (ii) amend or propose to amend the articles, by-laws or other constating documents of Primetech or the Subsidiary; (iii) split, combine or reclassify any outstanding Primetech Common Shares, or declare, set aside or pay any dividend or other distribution payable in cash, stock, property or otherwise with respect to the Primetech Common Shares; (iv) redeem, purchase or offer to purchase (or permit the Subsidiary to redeem, purchase or offer to purchase) any Primetech Common Shares or other securities of Primetech; (v) approve or adopt a shareholder rights plan; (vi) reorganize, amalgamate or merge Primetech or the Subsidiary with any other person, corporation, partnership or other business organization whatsoever; (vii) reduce the stated capital of Primetech; (viii) acquire or agree to acquire (by merger, amalgamation, acquisition of stock or assets or otherwise) any person, corporation, partnership or other business organization or division or make any investment either by purchase of shares or securities, contributions of capital (other than to the Subsidiary), property transfer or purchase of, any property or assets of any other person, corporation, partnership or other business organization; (ix) incur or commit to incur any indebtedness for borrowed money or any other material liability or obligation or issue any debt securities, except for the borrowing of working capital in the ordinary course of business and consistent with past practice, or guarantee, endorse or otherwise as an accommodation become responsible for, the obligations of any other person, corporation, partnership or other business organization, or make any loans or advances, except in the ordinary course of business consistent with past practice; (x) except as disclosed in the Primetech

- 29 -

Disclosure Statement, incur or commit to incur capital expenditures not contemplated by Primetech's existing business plan as provided to Celestica; (xi) adopt a plan of liquidation or resolutions providing for the liquidation or dissolution of Primetech or the Subsidiary; (xii) pay, discharge or satisfy any material claims, liabilities or obligations other than the payment, discharge or satisfaction, in the ordinary course of business consistent with past practice, of liabilities reflected or reserved against in Primetech's financial statements scheduled to be paid in the relevant period of time or incurred in the ordinary course of business consistent with past practice; or (xiii) authorize, recommend or propose any release or relinquishment of any contractual right material to it;

- (k) it will not, and will cause the Subsidiary not to: (i) enter into or modify any employment, severance, or similar agreements or arrangements with, or grant any bonuses, salary increases, severance or termination pay to, any officers or directors other than pursuant to agreements already entered into and disclosed in the Primetech Public Documents or as contemplated herein; or (ii) in the case of employees who are not officers or directors, take any action other than in the ordinary and regular course of business and consistent with past practice (none of which actions shall be unreasonable or unusual) with respect to the grant of any bonuses, salary increases, severance or termination pay or with respect to any increase of benefits payable in effect on the date hereof;
- (l) it will not, and will cause the Subsidiary not to, adopt or amend any bonus, profit sharing, incentive, compensation, stock option, pension, retirement, deferred compensation, employment or other employee benefit plan, agreement, trust,

fund or arrangement for the benefit or welfare of any employee;

- (m) it will use its reasonable commercial efforts to cause its current insurance (or reinsurance) policies not to be cancelled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance and re-insurance companies of nationally recognized standing providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect;
- (n) it will promptly notify Celestica in writing of any material adverse change in the normal course of its or the Subsidiary's business or in the operation of its or the Subsidiary's properties, of any material governmental or third party complaints, investigations or hearings (or communications indicating that the same may be contemplated) and of any event that has had or is reasonably likely to have a Primetech Material Adverse Effect;
- (o) it will and will cause the Subsidiary to:

- 30 -

- (i) duly and timely file all tax returns required to be filed by it on or after the date hereof and ensure that all such tax returns are true, complete and correct in all material respects;
  - (ii) timely pay all Taxes which are due and payable (other than those which are being contested in good faith);
  - (iii) not make or rescind any material expressed or deemed election or waiver relating to Taxes;
  - (iv) not make a request for a tax ruling or enter into a closing agreement with any taxing authorities;
  - (v) not settle or compromise any material claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to Taxes;
  - (vi) not change in any material respect any of its methods of reporting income, deductions or accounting for income tax purposes from those employed in the preparation of its income tax return for the taxation year ended September 30, 2000, except as may be required by applicable Law; and
- (p) it will not authorize or propose, or enter into or modify any contract, agreement, commitment or arrangement, to do any of the matters prohibited by the other paragraphs of this Section 5.3.

#### 5.4 COVENANTS OF CELESTICA

Celestica hereby covenants and agrees with Primetech that unless Primetech otherwise agrees or as expressly contemplated or permitted by this Agreement:

- (a) it shall use its commercially reasonable efforts to satisfy (or cause the satisfaction of) the conditions precedent to its and Primetech's obligations hereunder set forth in Article 6 to the extent the same are within its control and to take, or cause to be taken, all other action and to do, or cause to be done, all other things necessary, proper or advisable under

Laws to complete the Arrangement, to the extent applicable, including using commercially reasonable efforts to:

- (i) obtain all necessary consents, approvals and authorizations as are required to be obtained by it under any Laws, provided such consents, approvals or authorizations are satisfactory to Celestica, acting reasonably;

- 31 -

- (ii) effect all necessary registrations, notifications and filings and submissions of information requested by Governmental Entities required to be effected by it in connection with the transactions contemplated hereby and participate and appear in any proceedings relating to the transactions contemplated hereby before Governmental Entities;
- (iii) oppose, lift or rescind any injunction or restraining order or other order or action seeking to stop, or otherwise adversely affecting the ability of the Parties to consummate the Arrangement;
- (iv) fulfill all conditions precedent to the obligations of any of the Parties (to the extent that the fulfilment of such conditions is under the control of Celestica) and satisfy all provisions of this Agreement and the Arrangement applicable to it; and
- (v) cooperate with Primetech in connection with the performance by Primetech of its obligations hereunder;

provided, however, that nothing in this Subsection 5.4(a) shall require Celestica to waive any condition hereto or limit the exercise of any right or discretion enjoyed by Celestica under this Agreement;

- (b) it shall promptly notify Primetech in writing of any event that has had or is reasonably likely to have a Celestica Material Adverse Effect;
- (c) it shall cooperate with Primetech in the preparation of the Information Circular;
- (d) all information to be contained in the Information Circular or any amendment thereto (including any information incorporated by reference therein) relating solely to Celestica that is provided to Primetech by Celestica expressly for use in the Information Circular will be accurate and complete in all material respects with respect to the subject matter thereof as at the date thereof and will not contain a "misrepresentation", as such term is defined in the SECURITIES ACT (Ontario), with respect to the subject matter thereof;
- (e) it shall cooperate with Primetech to cause the transactions contemplated by this Agreement to be closed within three business days following the Effective Date;
- (f) it shall not make any change in the Celestica Subordinate Voting Shares, including by way of a consolidation, subdivision (whether by stock dividend or otherwise) or a similar transaction, unless Celestica agrees to amend the Plan of Arrangement to provide that upon the completion of the Arrangement each holder of Primetech Common Shares shall receive the securities or other property that such holder would

have received upon such change in the Celestica Subordinate Voting Shares on the assumption that the Arrangement had been completed immediately prior to such change becoming effective; provided that nothing in this Subsection 5.4(f) shall in any way whatsoever restrict the right of Celestica to issue additional Celestica Subordinate Voting Shares or other securities; and

- (g) it shall cause Primetech, following the Effective Date, either: (i) to continue its currently existing commitments under the Pension Agreements with John McAllister and Gordon Gray, including continuing to fund any insurance policies necessary to fund such obligations, or (ii) to provide alternative arrangements satisfactory to John McAllister and Gordon Gray, acting reasonably, that provide John McAllister and Gordon Gray with, in each case, benefits of equal value to those contemplated in the Pension Agreements, and Celestica agrees to assume such obligations in the event that Primetech ceases to exist as a corporate entity due to liquidation, winding-up, amalgamation, merger, reorganization or otherwise.

## 5.5

### COVENANTS REGARDING NON-SOLICITATION.

- (a) Primetech shall not, directly or indirectly, through any officer, director, employee, representative or agent of Primetech or the Subsidiary, solicit, initiate or encourage (including by way of furnishing information or entering into any form of agreement, arrangement or understanding) the initiation of any inquiries or proposals regarding an Acquisition Proposal, participate in or continue any discussions or negotiations regarding any Acquisition Proposal other than with Celestica, and shall not approve or recommend any Acquisition Proposal or enter into or cause Primetech or the Subsidiary to enter into any agreement related to any Acquisition Proposal; provided, however, that subject to Section 5.7 but notwithstanding the preceding part of this Subsection 5.5(a) and any other provision of this Agreement, nothing shall prevent the Primetech Board of Directors from considering, negotiating, participating in discussions, approving, recommending to its shareholders or entering into an agreement and providing information and entering into a confidentiality agreement pursuant to Subsection 5.5(d) in respect of an unsolicited BONA FIDE written Acquisition Proposal (which, if in the form of a take-over bid, may only be a take-over bid made for all the shares of Primetech) made by a third party to Primetech or the Primetech Board of Directors after the date hereof for which adequate financial arrangements have been made that the Primetech Board of Directors determines in good faith could reasonably, if consummated in accordance with its terms, result in a transaction more favourable from a financial point of view to Shareholders than the transaction contemplated by this Agreement, provided that any such determination of the Primetech Board of Directors shall only be made if the Primetech Board of Directors has received: (i) advice of outside counsel to the effect that the Primetech Board of Directors is required to do so in order to discharge properly its fiduciary duties; and (ii) an opinion of a nationally-recognized financial adviser to Primetech

to the effect that such Acquisition Proposal clearly provides at least 7.5% more value to holders of Primetech Common Shares than the Arrangement) (any such Acquisition Proposal being



referred to herein as a "SUPERIOR PROPOSAL"), and provided further that immediately upon receipt of such advice and opinion Primetech advises Celestica in writing that Primetech has received such advice and opinion and provides the details thereof to Celestica in writing.

- (b) Primetech shall, and shall cause the Subsidiary to, immediately cease and cause to be terminated any existing discussions or negotiations with any parties (other than Celestica) with respect to any potential Acquisition Proposal. Primetech agrees that neither it nor the Subsidiary shall release any third party from any confidentiality agreement or standstill agreement to which such third party is a party. Primetech shall immediately request the return or destruction of all information provided to any third parties who have entered into confidentiality agreements with Primetech or the Subsidiary thereof with respect to a possible Acquisition Proposal, and shall use all reasonable efforts to ensure that such requests are honoured.
- (c) Primetech shall notify Celestica forthwith, at first orally and then, as soon as possible thereafter, in writing, of any current Acquisition Proposals, any future Acquisition Proposal and any potential Acquisition Proposal of which directors or senior officers of Primetech or the Subsidiary become aware, or any amendments to the foregoing, or any request for non-public information relating to Primetech or the Subsidiary in connection with an Acquisition Proposal or for access to the properties, books or records of Primetech or the Subsidiary by any person or entity that informs Primetech or the Subsidiary that it is considering making, or has made, an Acquisition Proposal. Such notice shall include a description of the material terms and conditions of any proposal and provide such details of the proposal, inquiry or contact as Celestica may reasonably request, including the identity of the person making such proposal, inquiry or contact.
- (d) If Primetech receives a request for material non-public information from a person who proposes a BONA FIDE Acquisition Proposal (the existence and content of which have been disclosed to Celestica), and the Primetech Board of Directors determines that such proposal could reasonably be a Superior Proposal pursuant to Subsection 5.5(a), having received the advice and opinion referred to therein, then, and only in such case, the Primetech Board of Directors may, subject to the execution of a confidentiality and standstill agreement which, in any event, is no less favourable to Primetech and no more favourable to the counterparty than the confidentiality and standstill provisions of the Celestica NDA, provide such person with access to information regarding Primetech or the Subsidiary; provided, however, that the person making the Acquisition Proposal shall not be precluded thereunder from making the Acquisition Proposal; and provided further that Primetech sends a copy of any such confidentiality agreement to Celestica immediately upon its execution

- 34 -

and Celestica is provided with a list of or copies of the information provided to such person and immediately provided with access to similar information to which such person was provided.

- (e) Primetech shall ensure that its and the Subsidiary's officers, directors and employees and any financial advisors or other advisors or representatives retained by it are aware of the provisions of this Section 5.5, and it shall be responsible for any breach of this Section 5.5 by its financial advisors or other advisors or representatives.

- (a) Primetech shall not accept, approve, recommend or enter into any agreement in respect of an Acquisition Proposal (other than a confidentiality agreement contemplated by Subsection 5.5(d)) on the basis that it constitutes a Superior Proposal unless (i) it has provided Celestica with a copy of the Acquisition Proposal document which the Primetech Board of Directors has determined could reasonably be a Superior Proposal pursuant to Subsection 5.5(a), and (ii) five Business Days shall have elapsed from the later of the date Celestica received notice of the determination to accept, approve, recommend or enter into an agreement in respect of such Acquisition Proposal and the date Celestica received a copy of the Acquisition Proposal.
- (b) During such five Business Day period, Primetech acknowledges that Celestica shall have the opportunity, but not the obligation, to offer to amend the terms of this Agreement and the Arrangement. The Primetech Board of Directors will review any offer by Celestica to amend the terms of this Agreement in good faith in order to determine, in its discretion exercising its fiduciary duties, whether Celestica's offer upon acceptance by Primetech would be at least as favourable from a financial point of view as the Acquisition Proposal. If the Primetech Board of Directors so determines, it will enter into an amended agreement with Celestica reflecting Celestica's amended proposal. If the Primetech Board of Directors continues to believe, in good faith and after consultation with financial advisors and outside counsel, that the Acquisition Proposal is nonetheless more favourable from a financial point of view and therefore rejects Celestica's amended proposal, Primetech will forthwith pay to Celestica the payment payable to Celestica under Section 5.7 as required thereunder.
- (c) Primetech also acknowledges and agrees that each successive modification of any Acquisition Proposal shall constitute a new Acquisition Proposal for purposes of the requirement under Clause (ii) of Subsection 5.6(a) to initiate an additional five Business Day notice period.

- 35 -

If (a) this Agreement is terminated by Primetech pursuant to Section 7.3(e); (b) this Agreement is terminated by Celestica pursuant to Section 7.3(c); (c) this Agreement is terminated by Celestica pursuant to Section 7.3(b); (i) through the fault (whether by commission or omission) of Primetech failing to submit the Arrangement for approval to the Shareholders and Optionholders as obligated hereunder, or (ii) as a result of a breach by Primetech of any of the covenants in Section 5.5 or 5.6; or (d) an Acquisition Proposal shall have been made to Primetech and made known to the Shareholders generally or have been made directly to the Shareholders generally or any person shall have publicly announced an intention to make an Acquisition Proposal and such Acquisition Proposal or announced intention shall not have been withdrawn prior to the Meeting, there is a failure to obtain the approval of the Arrangement by the Shareholders and Optionholders at the Meeting, and this Agreement is terminated by either Celestica or Primetech pursuant to Section 7.3(d) and within twelve months after such termination Primetech shall have entered into an agreement (a "SUBSEQUENT AGREEMENT") with respect to a transaction that would constitute an Acquisition Proposal if it were the subject of a proposal and such transaction is thereafter completed or within such twelve-month period a transaction that would constitute an Acquisition Proposal is completed with or by any third party and whether or not a Subsequent Agreement is entered into by Primetech with respect to such transaction, then Primetech shall pay to Celestica, one Business Day following the termination of this Agreement and, in the case of (d) above, one Business Day following the

completion of such transaction, Cdn.\$11.5 million in immediately available funds to an account designated by Celestica.

5.8 EMPLOYMENT AGREEMENTS AND OPTIONS.

(a) Primetech shall use its best efforts to enter into agreements, in form and substance satisfactory to Celestica, to terminate and replace the Employment Agreements, effective at or prior to the Effective Time.

(b) Primetech shall not take any action under the Primetech Option Plan to accelerate the time at which any Primetech Options may be exercised or to affect the time during which any Primetech Options will be exercisable.

5.9 ACCESS TO INFORMATION AND PROPERTIES.

Subject to the Celestica NDA and applicable Law, upon reasonable notice, Primetech shall (and shall cause the Subsidiary to) afford Celestica's officers, employees, counsel, accountants and other authorized representatives and advisors reasonable access, during normal business hours from the date hereof and until the earlier of the Effective Date or the termination of this Agreement, to its properties, books, contracts and records as well as to its management personnel as Celestica may reasonably request. Without limiting the foregoing, Celestica and its representatives, agents and contractors may enter upon the real properties owned, operated, occupied, used or leased by Primetech or the Subsidiary and conduct such environmental and public and occupational health and

- 36 -

safety investigations as Celestica may consider to be desirable, including Phase II or other intrusive testing, sampling and analysis, and each of Primetech and the Subsidiary shall fully cooperate in all reasonable ways and ensure that its employees and others under its direction or control fully cooperate in connection with the conduct thereof. Nothing in the foregoing shall require Primetech to disclose information subject to a written confidentiality agreement with third parties, provided that Primetech shall use reasonable commercial efforts to obtain the consent of any third party to such disclosure, if requested by Celestica and (ii) Primetech shall disclose such information as may be reasonably necessary for the purpose of preparing submissions or applications in order to obtain any regulatory approvals required in connection with the Arrangement.

5.10 FURTHER ASSURANCES.

Subject to the conditions herein provided, each Party agrees, as soon as reasonably practicable following the date hereof: (i) to actively and diligently pursue all regulatory and other approvals and consents (including, if required in the case of Celestica, exemptions from the requirements of any stock exchange or securities regulatory authority for shareholder approval for the issuance of Celestica Subordinate Voting Shares hereunder) necessary to consummate the Arrangement; (ii) to use reasonable commercial efforts to make all necessary registrations and filings (including filings under applicable Laws and submissions of information requested by Governmental Entities) to obtain same; and (iii) to use all reasonable commercial efforts to take, or cause to be taken, all action and to do, or cause to be done, all other things necessary, proper or advisable to consummate and make effective as promptly as is practicable the Arrangement and the other transactions contemplated by this Agreement, including the execution and delivery of such documents as the other Parties hereto may reasonably require. Each of the Parties hereto, where appropriate, shall reasonably co-operate with the other Parties in taking such actions.

5.11 DIRECTORS' AND OFFICERS' INSURANCE.

Celestica agrees that for the period from the Effective Date until the sixth anniversary of the Effective Date, Celestica shall cause Primetech or any successor to Primetech to maintain directors' and officers' insurance coverage having terms and conditions no less beneficial in all material respects to the directors and officers of Primetech than those contained in the policy in effect on the date hereof, for all present and former

directors and officers of Primetech, covering claims made prior to or within six years after the earlier of the resignation of such director or officer or the Effective Date.

- 37 -

## ARTICLE 6

### CONDITIONS TO THE ARRANGEMENT

#### 6.1 MUTUAL CONDITIONS PRECEDENT.

The respective obligations of Celestica and Primetech to complete the Arrangement and to file articles of arrangement to give effect to the Arrangement shall be subject to the satisfaction of the following conditions:

- (a) the Plan of Arrangement, either with or without amendment, shall have been approved at the Meeting in accordance with the Interim Order;
- (b) the Arrangement shall have been approved by Shareholders and Optionholders at the Meeting in accordance with Section 2.5;
- (c) the Interim Order and the Final Order shall have been obtained in form and substance satisfactory to each of Celestica and Primetech, acting reasonably and shall not have been set aside or modified in a manner unacceptable to such Parties on appeal or otherwise;
- (d) there shall not exist any prohibition at Law against the completion of the Arrangement or the acquisition by Celestica of Primetech Common Shares pursuant thereto; and
- (e) the TSE shall have provided conditional listing approval of the Celestica Subordinate Voting Shares to be issued pursuant to the Plan of Arrangement or to be issued pursuant to the exercise of Exchanged Options, subject to Celestica filing customary documents with the TSE, and the NYSE shall have approved of the listing of such Celestica Subordinate Voting Shares, subject to notice of issuance.

The foregoing conditions are for the mutual benefit of Celestica on the one hand and Primetech on the other hand and may be waived, in whole or in part, by either of them at any time. If any of the said conditions precedent shall not be complied with or waived as aforesaid on or before August 31, 2001 or, if earlier, the date required for the performance thereof, then either Celestica or Primetech may terminate this Agreement by written notice to the other Parties in circumstances where the failure to satisfy any such condition is not the result, directly or indirectly, of such terminating Party's breach of this Agreement; provided, however, that if any such condition that has not been waived by the terminating Party cannot be complied with on or before August 31, 2001 as a result of an injunction or order made by a court or regulatory authority of competent jurisdiction (provided that such injunction or order is being contested or appealed) the deadline for complying with such condition shall be extended for a period ending on the earlier of September 30, 2001 and

- 38 -

such date as is the earliest date on which such condition may be complied with following the date on which such injunction or order ceases to be in effect.

#### 6.2 CELESTICA CONDITIONS PRECEDENT.

The obligations of Celestica to complete the Arrangement shall be subject to the satisfaction of the following conditions:

- (a) the representations and warranties made by Primetech in this Agreement which are qualified by materiality shall be true and correct as of the Effective Date as if made on and as of such date (except in each case to the extent such representations and warranties speak as of an earlier date, in which event such representations and warranties shall be true and correct as of such earlier date), and all other representations and warranties made by Primetech in this Agreement which are not so qualified shall be true and correct in all material respects as of the Effective Date as if made on and as of such date (except in each case to the extent such representations and warranties speak as of an earlier date, in which event such representations and warranties shall be true and correct as of such earlier date), and Primetech shall have provided to Celestica the certificate of two officers of Primetech certifying such accuracy on the Effective Date;
- (b) Primetech shall have complied with its covenants herein, and Primetech shall have provided to Celestica the certificate of two officers of Primetech certifying that Primetech has so complied with its covenants herein;
- (c) all requisite regulatory approvals, reviews or decisions (including those of any stock exchanges or securities or other regulatory authorities) required for the completion of the Arrangement shall have been obtained or concluded on terms satisfactory to Celestica, acting reasonably;
- (d) (i) no act, action, suit or proceeding shall have been threatened or taken before or by any Governmental Entity or private person (including any individual, corporation, firm, group or other entity) in Canada or elsewhere, whether or not having the force of Law, and (ii) no Law shall have been proposed, enacted, promulgated or applied:
  - (A) to cease trade, enjoin, prohibit or impose materially adverse limitations or conditions on the consummation of the Arrangement or on the right of Celestica to own or exercise full rights of ownership of the Primetech Common Shares to be acquired by it under the Arrangement or any of them; or
  - (B) which, if the Arrangement was consummated, (x) would require Primetech or the Subsidiary to dispose of a material asset, impose materially adverse limitations or conditions on the business or operations of Primetech and the Subsidiary, or impose material fines or penalties on Primetech or the Subsidiary and (y) such disposition, limitations, fines or penalties would have a Primetech Material Adverse Effect or a Celestica Material Adverse Effect;
- (e) either: (i) the Commissioner of Competition under the Competition Act (the "COMMISSIONER") shall have issued an advance ruling certificate under section 102 of the Competition Act in respect of the Arrangement and shall not have subsequently withdrawn or purported to have withdrawn such advance ruling certificate prior to Effective Date or shall not have stated or otherwise indicated that he has obtained new information as a result of which he is no longer

satisfied that he would not have sufficient grounds on which to apply to the Competition Tribunal under section 92 of the Competition Act with respect to the Arrangement; (ii) the applicable waiting period under section 123 of the Competition Act shall have expired, and the Commissioner or his authorized representative shall have advised Celestica (on terms and in a form satisfactory to Celestica) that the Commissioner does not intend to make an application under section 92 of the Competition Act in respect of the Arrangement and neither the Commissioner nor any of his representatives shall have rescinded or amended such advice; or (iii) the Commissioner or his authorized representative shall have advised Celestica (on terms and in a form satisfactory to Celestica) that the Commissioner does not intend to make an application under section 92 of the Competition Act in respect of the Arrangement and neither the Commissioner nor any of his representatives shall have rescinded or amended such advice and the Commissioner or his authorized representative shall have provided the Parties with a waiver from complying with Part IX of the Competition Act under section 113(c);

- (f) the number of Primetech Common Shares held by Shareholders that have exercised Dissent Rights at or prior to the Meeting shall not exceed 10% of the number of Primetech Common Shares outstanding immediately prior to the Effective Time;
- (g) Primetech shall have entered into agreements, in form and substance satisfactory to Celestica, to terminate and replace the Employment Agreements, effective at or prior to the Effective Time;
- (h) Primetech shall have entered into agreements, in form and substance satisfactory to Celestica, to terminate and replace the Pension Agreements effective at or prior to the Effective Time;
- (i) there shall not exist and shall not have occurred (or, if there does exist or shall have previously occurred, there shall not have been disclosed, generally or to Celestica in writing) any change that has a Primetech Material Adverse Effect and no fact or

- 40 -

information shall have come to Celestica's attention that materially and adversely affects its assessment of Primetech's business, operations, assets, properties, conditions (financial or otherwise) or prospects;

- (j) Celestica shall not have become aware of any untrue statement of a material fact in the Primetech Public Documents, or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made, in either case that is adverse to Primetech; and
- (k) Celestica shall have received certificates signed by each of John McAllister, Gordon Gray and David Brown, in each case without personal liability, certifying that: (a) such individual has read the representations and warranties of Primetech contained in the Arrangement Agreement and has made or has caused to be made such enquiries and investigations as are necessary or advisable in the circumstances to verify the accuracy of such representations and warranties; and (b) the representations and warranties of Primetech contained in this Agreement which are qualified by materiality are true and correct on and as of the Effective Date as if made on and as of such date (except in each case to the extent such representations and warranties speak as of an earlier date, in which event such representations and warranties were true and

correct as of such earlier date), and all other representations and warranties of Primetech made in this Agreement which are not so qualified are true and correct in all material respects on and as of the Effective Date as if made on and as of such date (except in each case to the extent such representations and warranties speak as of an earlier date, in which event such representations and warranties were true and correct as of such earlier date).

The foregoing conditions precedent are for the benefit of Celestica and may be waived, in whole or in part, by Celestica in writing at any time. If any of the said conditions shall not be complied with or waived by Celestica on or before August 31, 2001 or, if earlier, the date required for the performance thereof, then Celestica may terminate this Agreement by written notice to the other Parties in circumstances where the failure to satisfy any such condition is not the result, directly or indirectly, of Celestica's breach of this Agreement; provided, however, that if any such condition that has not been waived by the Celestica cannot be complied with on or before August 31, 2001 as a result of an injunction or order made by a court or regulatory authority of competent jurisdiction (provided that such injunction or order is being contested or appealed) the deadline for complying with such condition shall be extended for a period ending on the earlier of September 30, 2001 and such date as is the earliest date on which such condition may be complied with following the date on which such injunction or order ceases to be in effect.

- 41 -

#### 6.3 PRIMETECH CONDITIONS PRECEDENT.

The obligations of Primetech to complete the Arrangement shall be subject to the satisfaction of the following conditions:

- (a) the representations and warranties made by Celestica in this Agreement which are qualified by materiality shall be true and correct as of the Effective Date as if made on and as of such date (except in each case to the extent such representations and warranties speak as of an earlier date, in which event such representations and warranties shall be true and correct as of such earlier date), and all other representations and warranties made by Celestica in this Agreement which are not so qualified shall be true and correct in all material respects as of the Effective Date as if made on and as of such date (except in each case to the extent such representations and warranties speak as of an earlier date, in which event such representations and warranties shall be true and correct as of such earlier date), and Celestica shall have provided to Primetech the certificate of two officers of Celestica certifying such accuracy on the Effective Date;
- (b) Celestica shall have complied with its covenants herein, and Celestica shall have provided to Primetech the certificate of two officers of Celestica certifying that Celestica has so complied with its covenants herein;
- (c) all requisite regulatory approvals, reviews or decisions (including those of any stock exchanges or securities or other regulatory authorities) required for the completion of the Arrangement shall have been obtained or concluded on terms satisfactory to Primetech, acting reasonably;
- (d) (i) no act, action, suit or proceeding shall have been threatened or taken before or by any Governmental Entity or private person (including any individual, corporation, firm, group or other entity) in Canada or elsewhere, whether or not having the force of Law, and (ii) no Law shall have been proposed, enacted, promulgated or applied:
  - (A) to cease trade, enjoin, prohibit or impose materially adverse limitations or conditions on the consummation of the Arrangement or on

the issuance of the Celestica Subordinate Voting Shares to be issued pursuant to this Agreement; or

- (B) which, if the Arrangement was consummated,
  - (x) would require Celestica or any of its subsidiaries to dispose of a material asset, impose materially adverse limitations or conditions on the business or operations of Celestica and its subsidiaries, taken as a whole, or impose material fines or penalties on Celestica or any of its subsidiaries and
  - (y) such disposition, limitations, fines or penalties

- 42 -

would have a Primetech Material Adverse Effect or a Celestica Material Adverse Effect; and

- (e) there shall not exist and shall not have occurred (or, if there does exist or shall have previously occurred, there shall not have been disclosed, generally or to Primetech in writing) any change that has a Celestica Material Adverse Effect.

The foregoing conditions precedent are for the benefit of Primetech and may be waived, in whole or in part, by Primetech in writing at any time. If any of the said conditions shall not be complied with or waived by Primetech on or before August 31, 2001 or, if earlier, the date required for the performance thereof, then Primetech may terminate this Agreement by written notice to Celestica in circumstances where the failure to satisfy any such condition is not the result, directly or indirectly, of Primetech's breach of this Agreement; provided, however, that if any such condition that has not been waived by Celestica cannot be complied with on or before August 31, 2001 as a result of an injunction or order made by a court or regulatory authority of competent jurisdiction (provided that such injunction or order is being contested or appealed) the deadline for complying with such condition shall be extended for a period ending on the earlier of September 30, 2001 and such date as is the earliest date on which such condition may be complied with following the date on which such injunction or order ceases to be in effect.

#### 6.4 NO WAIVER, ETC.

The conditions under Section 6.1 are for the benefit of Primetech and Celestica only, the conditions under Section 6.2 are for the exclusive benefit of Celestica and the conditions under Section 6.3 are for the exclusive benefit of Primetech, and may be asserted by Celestica or Primetech, as the case may be, at any time, regardless of the circumstances giving rise to such assertion, including any action or inaction by Celestica or Primetech, as the case may be. Celestica or Primetech may waive any condition for its benefit in whole or in part at any time and from time to time, both before and after the Effective Date, without prejudice to any of their other respective rights. The failure of Celestica or Primetech at any time to exercise any of the foregoing rights will not be deemed a waiver of any such right and each such right will be deemed an ongoing right which may be asserted at any time and from time to time.

#### 6.5 MERGER OF CONDITIONS.

The conditions set out in Section 6.1, 6.2 and 6.3 shall be conclusively deemed to have been satisfied, waived or released upon filing of the Articles of Arrangement as contemplated by this Agreement and the issuance of a certificate of arrangement in respect thereof under the CBCA. Primetech acknowledges and agrees that it shall have no right to file Articles of Arrangement unless such conditions have been satisfied, fulfilled or waived.



ARTICLE 7

AMENDMENT, TERMINATION AND WAIVER

7.1 AMENDMENT.

(i) This Agreement (excluding Exhibit A, which may be amended as provided therein), may be amended by written agreement of the Parties at any time and from time to time before or after the holding of the Meeting but not later than the Effective Date without, subject to applicable Law, further notice to or authorization on the part of the Shareholders or Optionholders.

(ii) The Parties mutually agree that if a Party proposes any amendment or amendments to this Agreement or to the Plan of Arrangement, the other Parties will act reasonably in considering such amendment and if the other Parties and the Shareholders are not prejudiced by reason of any such amendment, the other Parties will cooperate in a reasonable fashion with the Party proposing the amendment so that such amendment can be effected subject to applicable Law and the rights of the Shareholders.

7.2 MUTUAL UNDERSTANDING REGARDING AMENDMENTS.

In addition to the transactions contemplated hereby or at the request of a Party, the Parties will continue from and after the date hereof and through and including the Effective Date, to use their respective commercially reasonable efforts to maximize present and future planning opportunities for Shareholders, for Celestica and for Primetech and the Subsidiary as and to the extent that the same shall not prejudice any Party or its securityholders. The Parties will ensure that such planning activities do not impede the progress of the Arrangement in any material way.

The Parties mutually agree that if a Party proposes any other amendment or amendments to this Agreement or to the Plan of Arrangement, Primetech on the one hand and Celestica on the other hand will act reasonably in considering such amendments and, if the other Party or Parties and their shareholders are not prejudiced by reason of any such amendment, the other Party or Parties will cooperate in a reasonable fashion with the Party proposing the amendment so that the amendment can be effected subject to applicable Laws and the rights of the Shareholders.

7.3 TERMINATION.

This Agreement may be terminated at any time prior to the Effective Date:

- (a) by mutual written consent of Celestica and Primetech;
- (b) as provided in Sections 6.1, 6.2 and 6.3;

- (c) by Celestica, if the Primetech Board of Directors shall have withdrawn or modified in a manner adverse to Celestica its approval or recommendation of the Arrangement, or approved or recommended any Superior Proposal;
- (d) by Celestica or by Primetech, if the Meeting shall have been held and completed and the approval of the Arrangement by the Shareholders and Optionholders required by Section 6.1(b) shall not have occurred; or
- (e) by Primetech, upon any determination by Primetech, after the conclusion of the process set out in Sections 5.5 and 5.6, that an Acquisition Proposal constitutes a Superior Proposal.

7.4 WAIVER.

At any time prior to the Effective Time, any Party may: (a) extend the time for the performance of any of the obligations or other acts of any other Party thereto; or (b) waive compliance with any of the agreements of any other Party or with any conditions to its own obligations, in each case only to the extent such obligations, agreements and conditions are intended for its benefit; provided that no such extension or waiver shall be binding unless made in writing.

7.5 EFFECT OF TERMINATION.

If this Agreement is terminated as provided in Section 7.3, there shall be no liability or further obligation on the part of any Party or any of their respective shareholders, officers or directors, except for liability arising from a wilful breach of any representations, warranties or covenants in this Agreement or fraud (and any action with respect thereto must be commenced within two years of the date hereof) and except for the obligation of Primetech to pay any amounts payable by it in accordance with Section 5.7 of this Agreement which shall survive any termination of this Agreement; provided, however, that any termination of this Agreement shall not affect the obligations of the Parties under the Celestica NDA.

ARTICLE 8

GENERAL

8.1 EXPENSES.

The Parties agree that all out-of-pocket third party transaction expenses incurred in connection with this Agreement and the transactions contemplated hereby, including legal fees, financial advisor fees and all disbursements by advisors, shall be paid by the Party incurring such expenses.

- 45 -

Celestica and Primetech represent and warrant to each other that, except for the fees payable by Primetech to PricewaterhouseCoopers Securities Inc. and CIBC World Markets Inc. that are set out in the Primetech Disclosure Statement and any soliciting dealer fees payable by Primetech, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission, or to the reimbursement of any of its expenses, in connection with the Arrangement.

8.2 REMEDIES.

The Parties acknowledge and agree that an award of money damages would be inadequate for any breach of this Agreement by any Party or its representatives and advisors and that such breach would cause the non-breaching Party irreparable harm. Accordingly, the Parties agree that, in the event of any such breach or a threatened breach of this Agreement by one of the Parties, Primetech (if Celestica is the breaching Party) or Celestica (if Primetech is the breaching party) will be entitled, without the requirement of posting a bond or other security, to seek equitable relief, including injunctive relief and specific performance. Subject to any other provision hereof including Section 7.3 and Section 7.5, such remedies will not be the exclusive remedies for any breach of this Agreement but will be in addition to all other remedies available at Law or in equity to each of the Parties.

8.3 NOTICES.

All notices, requests, demands and other communications hereunder shall be deemed to have been duly given and made if in writing and if served by personal delivery upon the party for whom it is intended or delivered, or if sent by facsimile transmission, upon receipt of confirmation that such transmission has been received, to the person at the address set forth below, or such other address as may be designated in writing hereafter, in the same

manner, by such person. The date of receipt of any such notice or other communication if delivered personally shall be deemed to be the date of delivery thereof, or if sent by facsimile transmission the date of such transmission if sent during normal business hours on a business day, failing which it shall be deemed to have been received on the next business day.

If to Celestica:

Celestica Inc.  
7th Floor  
12 Concorde Place  
Toronto, ON M3C 3R8

Attention: Vice-President and General Counsel  
Fax No.: (416) 386-7817

- 46 -

with a copy to:

Celestica Inc.  
7th Floor  
12 Concorde Place  
Toronto, ON M3C 3R8

Attention: Senior Vice-President, Mergers & Acquisitions  
Fax No.: (416) 448-5444

if to Primetech:

18107 TransCanada Highway  
Kirkland, Quebec H9J 3K1

Attention: President and Chief Executive Officer  
Fax No.: (514) 693-5441

with a copy to:

Ogilvy Renault  
1981 McGill College Avenue  
Suite 1100  
Montreal, Quebec  
H3A 3C1

Attention: Norman M. Steinberg  
Fax No.: (514) 489-6458

Any party may change its address for service from time to time by giving notice to the other parties in accordance with this Section 8.3.

#### 8.4 INVESTIGATION.

Any investigation by a Party and its advisors shall not mitigate, diminish or affect the representations and warranties of the other Party or Parties, as applicable, contained in this Agreement or any document or certificate given pursuant hereto.

#### 8.5 SEVERABILITY.

If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions,

- 47 -

covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated and the parties shall negotiate in good faith to modify the agreement to preserve each Party's anticipated benefits under the Agreement.

8.6 ENTIRE AGREEMENT, ASSIGNMENT AND GOVERNING LAW.

(i) This Agreement, the Celestica NDA and the Support Agreements, as the same have been or may be waived or amended, together with all other documents and instruments referred to herein, constitute the entire agreement and supersede all other prior agreements and undertakings, both written and oral, among the Parties or any of them with respect to the subject matter hereof.

(ii) This Agreement: (i) is not intended to confer upon any other person any rights or remedies hereunder; (ii) shall not be assigned by operation of Law or otherwise (except that Celestica may assign all or any portion of its rights under this Agreement to any wholly-owned subsidiary of Celestica, but no such assignment shall relieve Celestica of its obligations hereunder); and (iii) shall be governed in all respects, including validity, interpretation and effect, by the Laws of the Province of Ontario and the Laws of Canada applicable therein, without giving effect to the principles of conflict of Laws thereof and all actions and proceedings arising out of or relating to this Agreement shall be heard and determined exclusively in the courts of the Province of Ontario.

8.7 BINDING EFFECT.

This Agreement shall be binding upon and shall enure to the benefit of the Parties hereto and their respective successors and specific references to "successors" elsewhere in this Agreement shall not be construed to be in derogation of the foregoing.

8.8 COUNTERPARTS.

This Agreement and any amendment, supplement or restatement thereof may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which taken together shall be deemed to constitute one and the same instrument, and it shall not be necessary in making proof of this Agreement to produce more than one counterpart.

8.9 ENGLISH LANGUAGE.

The parties hereto have expressly requested that this Agreement and the Exhibits thereto be drafted in the English language. Les parties a la presente ont expressement demande que cette entente ainsi que les cedulaes s'y rattachant soient redigees dans la langue anglaise.

- 48 -

IN WITNESS WHEREOF the Parties hereto have executed this Agreement.

CELESTICA INC.

by /s/ RAHUL SURI  
-----  
Rahul Suri  
Senior Vice-President,  
Mergers and Acquisitions

PRIMETECH ELECTRONICS INC.

by /s/ JOHN MCALLISTER  
-----

EXHIBIT A

TO THE ARRANGEMENT AGREEMENT  
MADE MAY 31, 2001  
BETWEEN CELESTICA INC.  
AND PRIMETECH ELECTRONICS INC.

PLAN OF ARRANGEMENT UNDER SECTION 192  
OF THE CANADA BUSINESS CORPORATIONS ACT

ARTICLE 1

INTERPRETATION

1.1 DEFINITIONS.

In this Plan of Arrangement, unless something in the subject matter or context is inconsistent therewith:

- (a) "ARRANGEMENT" means the proposed arrangement under the provisions of section 192 of the CBCA on the terms and conditions set forth in this Plan of Arrangement and any amendment thereto made in accordance with Section 7.1 of the Arrangement Agreement;
- (b) "ARRANGEMENT AGREEMENT" means the agreement made between Celestica and Primetech dated May 31, 2001 to which this Plan of Arrangement is attached as Exhibit A and all amendments thereto;
- (c) "ARRANGEMENT RESOLUTION" means the special resolution passed by the holders of Primetech Common Shares and Primetech Options at the Meeting (voting together as a single class) approving the Arrangement;
- (d) "BUSINESS DAY" means a day other than a Saturday, Sunday or day on which Canadian chartered banks are authorized or required by law to be closed in Toronto, Ontario or Montreal, Quebec;
- (e) "CBCA" means the CANADA BUSINESS CORPORATIONS ACT;
- (f) "CELESTICA" means Celestica Inc., a corporation governed by the OBCA;
- (g) "CELESTICA SUBORDINATE VOTING SHARES" means subordinate voting shares in the capital of Celestica;

A-2

- (h) "CELESTICA WEIGHTED AVERAGE TRADING PRICE" means the weighted average trading price of the Celestica Subordinate Voting Shares on the TSE for the twenty trading days ending on the fifth Business Day immediately preceding the Effective Date;
- (i) "CONSIDERATION" or "SHARE EXCHANGE RATIO" means, in respect of each Primetech Common Share or Holdco Share, that portion of a Celestica Subordinate Voting Share that is equal to:
  - (i) if the Celestica Weighted Average Trading Price is less than \$68.19 the ratio equal to \$15.00 divided by the Celestica Weighted Average Trading Price

(expressed to two decimal places with amounts less than 0.005 being rounded down and amounts equal to or greater than 0.005 being rounded up, in each case to the nearest one-hundredth of a Celestica Subordinate Voting Share);

- (ii) if the Celestica Weighted Average Trading Price is greater than \$90.91, the ratio equal to \$20.00 divided by the Celestica Weighted Average Trading Price (expressed to two decimal places with amounts less than 0.005 being rounded down and amounts equal to or greater than 0.005 being rounded up, in each case to the nearest one-hundredth of a Celestica Subordinate Voting Share); and
- (iii) in all other circumstances, the ratio equal to 0.22.
- (j) "COURT" means the Superior Court of Quebec, District of Montreal, unless otherwise agreed to by Celestica and Primetech;
- (k) "DEPOSITARY" means CIBC Mellon Trust Company;
- (l) "DISSENT RIGHTS" means the right of a Shareholder to dissent in respect of the Arrangement pursuant to the procedures set forth in section 190 of the CBCA and Section 3.1;
- (m) "EFFECTIVE DATE" means the effective date of the Arrangement, being the date shown on the certificate of arrangement to be issued by the Director under the CBCA giving effect to the Arrangement;
- (n) "EFFECTIVE TIME" means 12:01 a.m. (Montreal time) on the Effective Date;
- (o) "EXCHANGED OPTION" has the meaning ascribed thereto in Subsection 2.2(d);
- (p) "HOLDCO" has the meaning ascribed thereto in Section 2.3;
- (q) "HOLDCO AGREEMENT" has the meaning ascribed thereto in Section 2.3;

A-3

- (r) "HOLDCO ELECTION" has the meaning ascribed thereto in Section 2.3;
- (s) "HOLDCO ELECTION DEADLINE" means 5:00 p.m. (Montreal time) on the day which is seven Business Days immediately preceding the date of the Meeting;
- (t) "HOLDCO SHAREHOLDER" has the meaning ascribed thereto in Section 2.3;
- (u) "HOLDCO SHARE" means a common share in the capital of a Holdco in respect of which a valid Holdco Election is made;
- (v) "INTERIM ORDER" means the interim order of the Court providing for, among other things, the calling and holding of the Meeting;
- (w) "MEETING" means the meeting of holders of Primetech Common Shares and Primetech Options to be held for the purpose of considering the Arrangement and any adjournment(s) or postponement(s) thereof;
- (x) "OBCA" means the BUSINESS CORPORATIONS ACT (Ontario);
- (y) "PLAN OF ARRANGEMENT" means this plan of arrangement as the same may be amended from time to time in accordance with the

terms of Section 5.1;

- (z) "PRIMETECH" means Primetech Electronics Inc., a corporation governed by the CBCA;
- (aa) "PRIMETECH ARTICLES" means the Articles of Amalgamation of Primetech dated October 7, 1997, as amended;
- (bb) "PRIMETECH COMMON SHARES" means common shares in the capital of Primetech;
- (cc) "PRIMETECH DISSENTING SHAREHOLDER" means a Shareholder who exercises such holder's Dissent Rights;
- (dd) "PRIMETECH OPTION" means an option to acquire Primetech Common Shares granted prior to the Effective Date pursuant to the Primetech Option Plan;
- (ee) "PRIMETECH OPTION PLAN" means the stock option plan of Primetech known as the 1998 Stock Option Plan, as amended;
- (ff) "SHAREHOLDER" means a holder of Primetech Common Shares;
- (gg) "TAX ACT" means the INCOME TAX ACT (Canada); and
- (hh) "TSE" means the Toronto Stock Exchange.

A-4

## 1.2 APPENDICES.

The following Appendix is attached to this Plan of Arrangement and forms part hereof:

Appendix 1	-	Provisions to be included in Holdco Agreement
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## 1.3 CONSTRUCTION.

In this Plan of Arrangement, unless otherwise expressly stated or the context otherwise requires:

- (a) references to "herein", "hereby", "hereunder", "hereof" and similar expressions are references to this Plan of Arrangement and not to any particular Section, Subsection or Clause;
- (b) references to an "Article", "Section", "Subsection" or "Clause" are references to an Article, Section, Subsection, Clause or Appendix of or to this Plan of Arrangement;
- (c) words importing the singular shall include the plural and VICE VERSA, words importing gender shall include the masculine, feminine and neuter genders, and references to a "person" or "persons" shall include individuals, corporations, partnerships, associations, bodies politic and other entities, all as may be applicable in the context;
- (d) the use of headings is for convenience of reference only and shall not affect the construction or interpretation hereof;
- (e) the words "includes" and "including", when following any general term or statement, is not to be construed as limiting the general term or statement to the specific items or matters set forth or to similar items or matters, but rather as referring to all other items or matters that could reasonably fall within the broadest possible scope of the general term or statement; and
- (f) a reference to a statute or code includes every regulation

made pursuant thereto, all amendments to the statute or code or to any such regulation in force from time to time, and any statute, code or regulation which supplements or supersedes such statute, code or regulation.

1.4 CURRENCY.

All references to currency herein are to lawful money of Canada unless otherwise specified.

A-5

ARTICLE 2

THE ARRANGEMENT

2.1 ARRANGEMENT AGREEMENT.

This Plan of Arrangement is made pursuant to the provisions of the Arrangement Agreement and constitutes an arrangement as referred to in section 192 of the CBCA.

2.2 THE ARRANGEMENT.

Commencing at 12:01 a.m. (Montreal time) on the Effective Date, subject to the Dissent Rights referred to in Section 3.1, the following shall occur and be deemed to occur in the following order without any further act or formality and, except as otherwise noted in this Section 2.2, with each transaction or event being deemed to occur immediately after the occurrence of the transaction or event immediately preceding it:

- (a) Each Primetech Common Share (other than those held by Primetech Dissenting Shareholders or any Holdco in respect of which a valid Holdco Election is made) and each Holdco Share will be transferred to Celestica in exchange for the Consideration.
- (b) In respect of each Primetech Common Share transferred pursuant to Section 2.2(a), the name of the holder of such Primetech Common Share will be removed from the register of holders of Primetech Common Shares and added to the register of holders of Celestica Subordinate Voting Shares, and Celestica will be added to the register of holders of Primetech Common Shares. The stated capital account in respect of the Celestica Subordinate Voting Shares issued as consideration for such Primetech Common Shares shall be increased by an amount equal to the lesser of: (i) the maximum amount permitted to be added to the paid-up capital of such Celestica Subordinate Voting Shares without resulting in a deduction in computing paid-up capital of the Celestica Subordinate Voting Shares pursuant to Subsection 85.1(2.1) of the Tax Act, and (ii) the amount permitted to be added pursuant to the OBCA.
- (c) In respect of each Holdco Share transferred pursuant to Section 2.2(a), the name of the Holdco Shareholder will be removed from the register of holders of common shares of the Holdco and Celestica will be added to the register of the common shares of the Holdco and the name of such Holdco Shareholder will be added to the register of holders of Celestica Subordinate Voting Shares. The stated capital account in respect of the Celestica Subordinate Voting Shares issued as consideration for such Holdco Shares shall be increased by an amount equal to the lesser of (i) the maximum amount permitted to be added to the paid-up capital of such Celestica Subordinate Voting Shares without resulting in a deduction in computing paid-up



capital of the Celestica Subordinate Voting Shares pursuant to Subsection 85.1(2.1) of the Tax Act, and (ii) the amount permitted to be added pursuant to the OBCA.

- (d) Primetech Options will be treated as follows: (i) each Primetech Option (including each unvested Primetech Option) that has not been exercised prior to the Effective Date will be disposed of and exchanged for a new option (an "EXCHANGED OPTION") with the same terms as the Primetech Option except as set out herein (including as to vesting and termination, but subject to Clause (ii) of this Subsection 2.2(d)); (ii) thereafter, each such Exchanged Option will entitle its holder to purchase the number of Celestica Subordinate Voting Shares equal to the product of (A) the Share Exchange Ratio and (B) the number of Primetech Common Shares subject to such Primetech Option immediately prior to the exchange, for an exercise price per Celestica Subordinate Voting Share equal to the exercise price per share of such Primetech Option immediately prior to the exchange divided by the Share Exchange Ratio; and (iii) Celestica will assume Primetech's obligations under the Primetech Option Plan and will be entitled to Primetech's rights thereunder, including the right to receive the exercise price upon the exercise of Exchanged Options. If the foregoing calculations result in any Exchanged Option being exercisable for a fraction of a Celestica Subordinate Voting Share, then the number of Celestica Subordinate Voting Shares subject to such Exchanged Option will be rounded down to the next whole number, and the aggregate exercise price for such Exchanged Option will be reduced by the exercise price of such fractional Celestica Subordinate Voting Share. The Primetech Option Plan will be deemed to be and shall be amended to give effect to the foregoing provisions of this Subsection 2.2(d).
- (e) In lieu of delivery of fractional Celestica Subordinate Voting Shares to the holders of Primetech Common Shares or of Holdco Shares, each holder of Primetech Common Shares or of Holdco Shares who would otherwise be entitled to receive a fraction of a Celestica Subordinate Voting Share shall be paid an amount in cash determined in accordance with Section 4.3 hereof.

## 2.3

## HOLDCO ELECTION.

- (a) Shareholders that are resident in Canada for purposes of the Tax Act ("HOLDCO SHAREHOLDERS") of a corporation ("HOLDCO") which: (i) was incorporated under the laws of Canada on or after May 1, 2001; (ii) has never had any assets other than Primetech Common Shares or cash; (iii) has no liabilities whatsoever; and (iv) on the Effective Date has, as its only issued and outstanding securities, a number of common shares of Holdco equal to the number of Primetech Common Shares which are owned by such Holdco, may jointly elect in respect of all the Primetech Common Shares held by such Holdco (the "HOLDCO ELECTION"), prior to the Holdco Election Deadline, to have all the issued and outstanding common shares of the Holdco transferred to Celestica in exchange for the Consideration. For greater certainty, the Consideration received for such Holdco Shares shall be identical to the Consideration

which such Holdco would have been entitled to receive if the Primetech Common Shares held by such Holdco were acquired directly by Celestica under the Plan of Arrangement.

- (b) Each Holdco Shareholder that has made the Holdco Election will be required to enter into a share purchase agreement (the

"HOLDCO AGREEMENT") with Celestica providing for the acquisition by Celestica of all the issued and outstanding Holdco Shares in accordance with Section 2.2(a) hereof and containing such representations and warranties, terms and conditions and indemnities as Celestica may reasonably request in connection therewith, including, without limitation, the representations and warranties, terms and conditions and indemnities set out in Appendix A hereto, and containing the requirement for the Holdco Shareholders to arrange for the provision of a legal opinion of such holders' legal counsel in form satisfactory to Celestica, acting reasonably, in connection with the purchase and sale of such Holdco Shares. Failure of any holder of Primetech Common Shares to properly make a Holdco Election on or prior to the Holdco Election Deadline or failure of Holdco Shareholders to properly enter into a Holdco Agreement will disentitle such shareholders to the Holdco Election.

#### ARTICLE 3

##### RIGHTS OF DISSENT

###### 3.1 RIGHTS OF DISSENT.

Holders of Primetech Common Shares may exercise Dissent Rights pursuant to and in the manner set forth in Section 190 of the CBCA and in this Section 3.1 in connection with the Arrangement as the same may be modified by the Interim Order or the Final Order; provided that, notwithstanding subsection 190(5) of the CBCA, the written objection to the Arrangement Resolution referred to in subsection 190(5) of the CBCA must be received by Primetech before 5:00 p.m. (Montreal time) on the Business Day preceding the Meeting. Holders who duly exercise such Dissent Rights and who:

- (a) are ultimately entitled to be paid by Primetech the fair value for their Primetech Common Shares shall be deemed to have transferred such shares to Primetech for cancellation on the Effective Date immediately prior to the first step of the Plan of Arrangement set out in Subsection 2.2(a) being effective; or
- (b) are ultimately not entitled to be paid by Primetech the fair value for their Primetech Common Shares shall be deemed to have participated in the Arrangement on the same basis as any non-dissenting Shareholder as at and from the Effective Date,

but in no case shall Primetech, Celestica or any other person be required to recognize such holders as holders of Primetech Common Shares after the Effective Date, and the names of such holders

A-8

shall be deleted from the applicable register of shareholders on the Effective Date. For greater certainty, in addition to any other restrictions in section 190 of the CBCA, neither of the following shall be entitled to exercise Dissent Rights: (i) Holdcos in respect of which a Holdco Election has been made; and (ii) Shareholders or Holdco Shareholders who vote in favour of the Plan of Arrangement, enter into a Holdco Agreement or make a Holdco Election.

#### ARTICLE 4

##### CERTIFICATES

###### 4.1 ENTITLEMENT OF HOLDERS OF PRIMETECH COMMON SHARES.

Subject to the provisions of Section 4.3, after the Effective Date, the former holders of Primetech Common Shares will be entitled to receive, on surrender to the Depositary of the certificates evidencing the Primetech Common Shares held by them together with such other documents or instruments as would have been required to effect the transfer of the Primetech Common Shares under the articles and by-laws of Primetech and such additional documents and

instruments as the Depositary may reasonably require, and the Depositary shall deliver to such holder, (i) a certificate representing the number of Celestica Subordinate Voting Shares (rounded down to the nearest whole number) which such holder has the right to receive, (ii) any dividends or distributions thereon pursuant to Section 4.2 and (iii) any cash to which such holder is entitled in lieu of a fractional Celestica Subordinate Voting Share pursuant to Section 4.3, and the certificate representing such Primetech Common Shares shall be cancelled. Until surrendered as contemplated by this Section 4.1, each certificate which immediately prior to the Effective Date represented Primetech Common Shares shall be deemed on and after the Effective Date to represent only the right to receive on such surrender (i) the certificate representing Celestica Subordinate Voting Shares as contemplated by this Section 4.1, (ii) any dividends or distributions with a record date on or after the Effective Date theretofore paid or payable with respect to Celestica Subordinate Voting Shares, as contemplated by Section 4.2, and (iii) a cash payment in lieu of any fractional Celestica Subordinate Voting Shares as contemplated by Section 4.3.

#### 4.2 DISTRIBUTIONS.

No dividends or other distributions declared or made on or after the Effective Date with respect to Celestica Subordinate Voting Shares with a record date on or after the Effective Date shall be paid to the holder of any unsundered certificate which immediately prior to the Effective Date represented outstanding Primetech Common Shares or Holdco Shares that were exchanged pursuant to Section 2.2, and no cash payment in lieu of fractional shares shall be paid to any such holder pursuant to Section 4.3, unless and until the holder of record of such certificate shall surrender such certificate in accordance with Section 4.1. Prior to such time, such dividends, distributions, cash payments in lieu of fractional shares or other amounts will be made or paid to the Depositary to be held by it in trust for that holder. All monies so held in trust by the Depositary shall be deposited in an interest-bearing account and any interest earned on such funds shall be for the

A-9

account of Celestica. Such amount will be provided to the Depositary by Celestica upon request by the Depositary.

#### 4.3 FRACTIONAL SHARES.

No certificates or scrip representing fractional Celestica Subordinate Voting Shares will be issued upon the surrender for exchange of certificates pursuant to Section 4.1 and no dividend, stock split, or other change in the capital structure of Celestica shall relate to any such fractional security and such fractional interests shall not entitle the owner thereof to vote or to exercise any rights as a securityholder of Celestica. In lieu of such fractional securities, such person otherwise entitled thereto shall receive a cash payment equal to the amount obtained by multiplying the fraction of a Celestica Subordinate Voting Share otherwise issuable by the Celestica Weighted Average Trading Price.

### ARTICLE 5

#### AMENDMENTS

##### 5.1 AMENDMENTS TO PLAN OF ARRANGEMENT.

- (a) Celestica and Primetech reserve the right to amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Date, provided that each such amendment, modification and/or supplement must be (i) set out in writing, (ii) approved by the other, (iii) filed with the Court and, if made following the Meeting, approved by the Court, and (iv) communicated to holders of Primetech Common Shares and Primetech Options if and as required by the Court.
- (b) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by Celestica or Primetech at any time prior to or at the Meeting (provided that the other shall

have consented thereto) with or without any other prior notice or communication, and if so proposed and accepted by the persons voting at the Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.

- (c) Any amendment, modification or supplement to this Plan of Arrangement that is approved by the Court following the Meeting shall be effective only if it is consented to by each of Celestica and Primetech.
- (d) Any amendment, modification or supplement to the Plan of Arrangement may be made following the Effective Date unilaterally by Primetech, provided that it concerns a matter which, in the reasonable opinion of Primetech, is of an administrative nature required to better give effect to the implementation of this Plan

A-10

of Arrangement and is not adverse to the financial or economic interests of Celestica or any holder of Primetech Common Shares.

A-11

#### APPENDIX 1

##### PROVISIONS TO BE INCLUDED IN HOLDCO AGREEMENT

Each Holdco Agreement shall include the following representations and warranties, terms and conditions, and indemnities in favour of Celestica:

#### I. REPRESENTATIONS AND WARRANTIES OF THE HOLDCO SHAREHOLDERS

Each of the Holdco Shareholders hereby represents and warrants to Celestica as follows and hereby acknowledges and confirms that Celestica is relying on such representations and warranties in connection with the purchase by Celestica of the Holdco Shares:

- (a) the execution and delivery of this Holdco Agreement by the Holdco Shareholders and Holdco and the completion by the Holdco Shareholders and Holdco of the transactions contemplated hereby:
  - (i) will not conflict with, result in the breach of or constitute a default under the articles, by-laws or resolutions of Holdco or any agreement, indenture, contract, lease, deed of trust, licence, option, instrument or other commitment, whether written or oral (a "Contract") to which the Holdco Shareholders or Holdco is a party; and
  - (ii) do not and will not violate any provision of law or administrative regulation or any judicial or administrative award, judgment or decree binding upon the Holdco Shareholders or Holdco;
- (b) each of the Holdco Shareholders is not a non-resident of Canada for the purposes of the Tax Act;
- (c) each Holdco is a resident of Canada for the purposes of the Tax Act;

- (d) this Holdco Agreement has been duly executed and delivered by each of the Holdco Shareholders and Holdco and is a valid and binding obligation of each of the Holdco Shareholders and Holdco enforceable against each of the Holdco Shareholders and Holdco in accordance with its terms, subject to applicable bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights generally and provided that equitable remedies will only be awarded in the discretion of a court of competent jurisdiction;
- (e) all of the Holdco Shares are registered in the name of, and beneficially owned by, not more than five Holdco Shareholders free and clear of all liens, charges, encumbrances, claims and equities (collectively, "Liens");

A-12

- (f) no person has any Contract, warrant or option or any right capable of becoming a Contract, warrant or option for the purchase from any of the Holdco Shareholders of any of the Holdco Shares or from Holdco of any shares or other securities of Holdco or of any of the [insert number] Primetech Common Shares held by Holdco (the "Subject Shares");
- (g) the Holdco Shares are validly issued and outstanding as fully paid and non-assessable shares in the capital of Holdco and are the only issued and outstanding shares in the capital of Holdco and, as of the Effective Date, the number of Holdco Shares outstanding is equal to the number of Subject Shares;
- (h) Holdco is a corporation duly incorporated on or after May 1, 2001 and duly organized and validly existing under the laws of Canada;
- (i) Holdco is the beneficial and registered holder of the Subject Shares all of which are held by Holdco free and clear of all Liens;
- (j) Holdco does not own or hold and has never owned or held property or assets or any interests therein of any nature or kind whatsoever other than the Subject Shares and cash and Holdco does not carry on, and has never carried on, an active business;
- (k) Holdco has no obligations, liabilities (whether actual or contingent) or indebtedness to any person, including without limitation any liabilities in respect of federal or provincial income, corporate, goods and services, capital, harmonized sales, sales, excise, employer health, surtaxes, education, social services, social security, employment insurance, health insurance, Canada, Quebec and other governmental pension plan premiums or contributions, land transfer or any other taxes, duties or imposts of any nature or kind whatsoever, or in respect of any judgments, orders, fines, interest, penalties, awards or decrees of any court, tribunal or governmental, administrative or regulatory department, commission, board, bureau, agency or instrumentality, domestic or foreign;
- (l) Holdco has no subsidiaries and is not bound by any Contract to acquire or lease in any manner any shares or assets of any nature or kind whatsoever;
- (m) Holdco does not have, and has never had, any employees and its directors and officers receive no remuneration or compensation from Holdco;
- (n) Holdco is not a party to any Contract of any nature or kind whatsoever except for the Contract with the Holdco Shareholder(s) pursuant to which Holdco acquired the Subject Shares (a true and complete copy of which has been provided to Celestica);

- (o) there are no claims, investigations, actions, suits or proceedings pending or threatened against or affecting Holdco or the Holdco Shareholders, whether at law

A-13

or in equity or before or by any federal, provincial, municipal or other governmental or administrative or regulatory department, commission, board, tribunal, bureau, agency or instrumentality, domestic or foreign, that would adversely affect in any manner the ability of Holdco and the Holdco Shareholders to enter into this Holdco Agreement and perform their obligations hereunder;

- (p) there are no claims, investigations, actions, suits or proceedings pending or threatened against or affecting Holdco, whether at law or in equity or before or by any federal, provincial, municipal or other governmental or administrative or regulatory department, commission, board, tribunal, bureau, agency or instrumentality, domestic or foreign;
- (q) Holdco is in full compliance with all laws, rules or regulations to which Holdco or the Subject Shares may be subject;
- (r) the books and records of Holdco fairly and correctly set out and disclose in all respects, in accordance with generally accepted accounting principles in Canada consistently applied, the financial position of Holdco as of the date hereof and all financial transactions of Holdco have been accurately recorded in such books and records; and
- (s) the corporate records and minute books of Holdco contain complete and accurate minutes of all meetings of the directors and shareholders of Holdco held since its incorporation and all such meetings were duly called and held and the share certificate books, register of shareholders, register of transfers and register of directors and officers of Holdco are complete and accurate;

## II. COVENANTS

- (a) **HOLDCO DOCUMENTS.** The Holdco Shareholders and Holdco shall forthwith make available to Celestica and its authorized representatives all minute books, share certificate books, share registers, books of account, accounting records, corporate documents and all other books or records, documents, information or data relating to Holdco (collectively the "Holdco Documents"). At the time of closing, all of the Holdco Documents shall be delivered to Celestica by the Holdco Shareholders and Holdco.
- (b) **NO SHARE ISSUANCES.** No Holdco Shareholder that is a corporation shall issue any shares from and after the date hereof to and including the Effective Date in connection with any direct or indirect transfer of Primetech Common Shares.

A-14

## III. INDEMNIFICATION

- (a) **OBLIGATIONS TO INDEMNIFY.** Each of the Holdco Shareholders agrees to indemnify and save harmless Celestica from all claims, demands, proceedings, losses, damages, liabilities, deficiencies, costs and expenses (including, without limitation, reasonable legal and other professional fees and

disbursements, interest, penalties and amounts paid in settlement) (singly a "Loss" and collectively "Losses") suffered or incurred by Celestica as a result of or arising directly or indirectly out of or in connection with any breach by the Holdco Shareholders or Holdco of any representation, warranty, obligation or covenant of the Holdco Shareholders or Holdco contained in this Holdco Agreement. Celestica agrees to indemnify and save harmless the Holdco Shareholders from all Losses suffered or incurred by them as a result of or arising directly or indirectly out of or in connection with any breach by Celestica of any representation, warranty, obligation or covenant of Celestica contained in the Holdco Agreement.

- (b) NOTICE OF CLAIM. In the event that a party (the "Indemnified Party") shall become aware of any claim, proceeding or other matter (a "Claim") in respect of which another party (the "Indemnifying Party") agreed to indemnify the Indemnified Party pursuant to the Holdco Agreement, the Indemnified Party shall promptly give written notice thereof to the Indemnifying Party. Such notice shall specify whether the Claim arises as a result of a claim by a person against the Indemnified Party (a "Third Party Claim") or whether the Claim does not so arise (a "Direct Claim"), and shall also specify with reasonable particularity (to the extent that the information is available) the factual basis for the Claim and the amount of the Claim, if known. If, through the fault of the Indemnified Party, the Indemnifying Party does not receive notice of any Claim in time to contest effectively the determination of any liability susceptible of being contested, the Indemnifying Party shall be entitled to set off against the amount claimed by the Indemnified Party the amount of any Losses incurred by the Indemnifying Party resulting directly from the Indemnified Party's failure to give such notice on a timely basis.
- (c) DIRECT CLAIMS. With respect to any Direct Claim, following receipt of notice from the Indemnified Party of the Claim, the Indemnifying Party shall have 60 days to make such investigation of the Claim as is considered necessary or desirable. For the purpose of such investigation, the Indemnified Party shall make available to the Indemnifying Party the information relied upon by the Indemnified Party to substantiate the Claim, together with all such other information as the Indemnifying Party may reasonably request. If both parties agree at or prior to the expiration of such 60-day period (or any mutually agreed upon extension thereof) to the validity and amount of such Claim, the Indemnifying Party shall immediately pay to the Indemnified Party the full agreed upon amount of the Claim.

A-15

- (d) THIRD PARTY CLAIMS. With respect to any Third Party Claim, the Indemnified Party shall have the exclusive right, at the expense of the Indemnifying Party, to contest, settle or pay the amount claimed and to retain counsel and other experts or advisers selected by the Indemnified Party in its sole discretion in connection therewith; provided, however, that the Indemnified Party shall not settle any Third Party Claim without the written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed. If the Indemnified Party elects to assume such control, the Indemnifying Party shall have the right, at its sole expense, to participate in the negotiation, settlement or defence of such Third Party Claim. If any Third Party Claim is of a nature such that the Indemnified Party is required by applicable law to make a payment to any person (a "Third Party") with respect to the Third Party Claim before the completion of settlement negotiations or related legal proceedings, the Indemnified Party may make such payment and the Indemnifying Party shall, forthwith after demand by the Indemnified Party, reimburse the Indemnified Party for such

payment. If the amount of any liability of the Indemnified Party under the Third Party Claim in respect of which such payment was made, as finally determined, is less than the amount that was paid by the Indemnifying Party to the Indemnified Party, the Indemnified Party shall, forthwith after receipt of the difference from the Third Party, pay the amount of such difference to the Indemnifying Party.

- (e) PAYMENT AND COOPERATION. The Indemnifying Party shall pay to the Indemnified Party all amounts for which the Indemnifying Party is liable pursuant to this section promptly after the Indemnified Party incurs the Loss in respect of which such liability arises. The Indemnified Party and the Indemnifying Party shall co-operate fully with each other with respect to Third Party Claims, and shall keep each other fully advised with respect thereto (including supplying copies of all relevant documentation promptly as it becomes available).
- (f) TAX EFFECT. If any payment received by an Indemnified Party hereunder (an "Indemnity Payment") would constitute income for tax purposes to such Indemnified Party, the Indemnifying Party shall pay a Tax Gross Up to the Indemnified Party at the same time and on the same terms, as to interest and otherwise, as the Indemnity Payment. The amount of any Loss for which indemnification is provided shall be adjusted to take into account any tax benefit realized by the Indemnified Party or any of its affiliates by reason of the Loss for which indemnification is so provided or the circumstances giving rise to such Loss. For purposes of this paragraph (f), any tax benefit shall be taken into account at such time as it is received by the Indemnified Party or its affiliate. For purposes of this paragraph (f), "Tax Gross Up" shall mean, with respect to any Indemnity Payment, such additional amount (calculated in accordance with the Calculation Method) as is necessary to place the Indemnified Party in the same after tax position as it would have been in had such Indemnity Payment been received tax free; and "Calculation Method" with respect to the calculation of any Tax Gross Up on any Indemnity Payments, shall mean that such Tax Gross Up shall be calculated by using the combined Canadian federal and

A-16

Canadian provincial income tax rate applicable to the Indemnified Party and, except as provided in this paragraph (f), without regard to any losses, credits, refunds or deductions that the Indemnified Party may have which could affect the amount of tax payable on any such Indemnity Payment.



A MERGER AGREEMENT made on 15 June 2001

BETWEEN

OMNI INDUSTRIES LIMITED, a company incorporated under the laws of Singapore whose registered office is at 1 Sophia Road, #05-03, Peace Centre, Singapore 228149 (OMNI); and

CELESTICA INC., a corporation incorporated under the laws of the Province of Ontario, Canada (CELESTICA).

WHEREAS:

Omni and Celestica (or a wholly-owned subsidiary of Celestica) propose to merge by way of scheme of arrangement pursuant to Section 210 of the Companies Act, to be proposed by Omni to its ordinary shareholders as described in the Announcement (as defined below) and this Agreement. This agreement sets out certain matters relating to the conduct of the proposed merger that have been agreed to by Omni and Celestica.

IT IS HEREBY AGREED as follows:

DEFINITIONS AND INTERPRETATION

1.1 In this Agreement, the following expressions shall have the following meanings:

AGREEMENT CONDITIONS has the meaning given in clause 4.2;

ANNOUNCEMENT means the announcement relating to the Scheme, substantially in the form of Appendix 1;

BUSINESS DAY means any day on which banks are open for a full range of banking business in Singapore and Toronto (excluding Saturdays);

CELESTICA SHARES means subordinate voting shares in the capital of Celestica;

COMPANIES ACT means the Singapore Companies Act, Chapter 50;

COMPETING PROPOSAL means a proposal by a third party involving (i) a sale or other disposal of any direct or indirect interest in some or all of the Omni Shares or the assets and undertakings of Omni (or any of them) (other than in the ordinary and usual course of Omni's trading activities) (ii) a general offer for Omni Shares or (iii) a scheme of arrangement involving Omni or the merger of Omni with any other entity or any other transaction with respect to Omni Shares or assets of Omni from any third party or (iv) any other arrangement having an effect similar to any of (i) to (iii) above including a merger or amalgamation proposal. For the purpose of this definition OMNI shall include any subsidiary of Omni;

CONDITIONS means the Agreement Conditions and the Scheme Conditions;

CONFIDENTIALITY AGREEMENT means the letter of confidentiality from Celestica to Omni delivered in February 2001;

COURT means the High Court of Singapore;

COURT MEETING means the meeting of the Omni Shareholders to be convened by the Court to approve the Scheme;

COURT ORDER means the order of the Court sanctioning the Scheme under Section 210 of the Companies Act, confirming the transfer of the Omni Shares to Celestica (or a wholly-owned subsidiary of Celestica) and approving financial assistance, if any, pursuant to Section 76 of the Companies Act;

ENCUMBRANCE means any charge, mortgage, lien, hypothecation, judgement encumbrance, title retention, preferential right, trust arrangement or other security interest or other agreement or arrangement having a commercial effect analogous to the conferring of security or similar right in favour of any person;

EXCLUSIVITY AGREEMENT means the exclusivity agreement between Omni, the Substantial Shareholder and Celestica dated 8 June 2001;

FINAL OPTION EXERCISE DATE means the date which is 4 Business Days prior to the Record Date;

HSR ACT means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended;

IFA means the independent financial adviser appointed to advise the independent directors of Omni in relation to the Merger and the Scheme;

IRREVOCABLE UNDERTAKINGS means the respective irrevocable undertakings to be signed by each member of Management, Wuthelam and Koh Boon Hwee containing undertakings to vote in favour of the resolution of Omni shareholders to be proposed at the Court Meeting;

LISTING RULES means the listing rules of the SGX;

MANAGEMENT means KHAW Kheng Joo, LEE Kim Bock, SEOW Kiat Wang, SIM Beng Chye and TAN Chow Boon;

MERGER means the merger of Omni and Celestica (or a wholly-owned subsidiary of Celestica) to be effected by way of the Scheme and on the terms and subject to the conditions set out in this Agreement;

MERGER DATE means the date on which the Scheme becomes effective upon delivery of the Court Order to the ROC;

MERGER REGULATION means Council Regulation (EC) 4064/89 as amended by Council Regulation (EC) 1310/97;

NEW CELESTICA SHARES means new Celestica Shares to be issued in connection with the Merger;

NEW CELESTICA TRANSACTION means a proposal by Celestica in relation to an offer, scheme of arrangement or other arrangement or transaction to acquire all the Omni Shares or the assets and undertakings of Omni (or any of them) and includes any enhanced, revised or amended version of a New Celestica Transaction, in respect of which Celestica has (i) publicly announced its intention to proceed within 14 days of the date on which the relevant Competing Proposal was publicly announced and (ii) commenced the New Celestica Transaction within 30 days of the date on which the relevant Competing Proposal was publicly announced. For the purposes of this definition a New Celestica Transaction shall be deemed to have been COMMENCED on the date that a public announcement is made setting out all material terms of the relevant transaction which confirms that Celestica has a binding commitment to proceed with the New Celestica Transaction, whether pursuant to the Takeover Code, the Companies Act, a merger agreement or a sale and purchase agreement entered into with Omni or otherwise;

Page 2

NYSE means the New York Stock Exchange;

OMNI EMPLOYEE SHARE OPTION SCHEME means the employee share option scheme approved by Omni Shareholders at the extraordinary general meeting of Omni on 2 September 1998;

OMNI GROUP means Omni and its subsidiaries;

OMNI OPTIONS means options granted by Omni under the Omni Employee Share Option Scheme;

OMNI OPTIONHOLDERS means holders of Omni Options;

OMNI SHAREHOLDERS means the holders of the Omni Shares from time to time;

OMNI SHARES means ordinary shares of S\$0.10 each in the capital of Omni;

RECORD DATE means the record date for participation in the Scheme;

REGULATORY APPROVALS means all authorisations, approvals, consents, clearances, permissions or decisions which are required for the implementation of the Scheme;

ROC means the Registry of Companies and Businesses in Singapore;

SCHEME means the scheme of arrangement to be proposed to the Omni Shareholders pursuant to Section 210 of the Companies Act to effect the Merger, as described in the Announcement (and includes any enhanced, revised or amended version thereof);

SCHEME CONDITIONS has the meaning given in clause 4.1;

SCHEME DOCUMENT means the document to be sent to the Omni Shareholders in connection with the implementation of the Merger, which will contain, inter alia, details of the Scheme in terms agreed by the parties and the notice to Omni Shareholders for the purposes of convening the Court Meeting;

SEC means the Securities and Exchange Commission;

SGX means the Singapore Exchange Securities Trading Limited;

SUBSIDIARY has the meaning given in the Companies Act;

TIMETABLE means the indicative timetable of events relating to the Scheme set out in Appendix 2 and any revised timetable agreed by the parties in writing;

TSE means the Toronto Stock Exchange; and

WUTHELAM means Wuthelam Industries (S) Pte Ltd.

1.2 In this Agreement, unless the context otherwise requires:

- (a) the headings are inserted for convenience only and shall not affect the construction of this Agreement;
- (b) references to PERSONS shall include individuals, bodies corporate (wherever incorporated), unincorporated associations and partnerships; and to PARTIES are to the parties to this Agreement;

Page 3

- (c) words importing the singular include the plural (and vice versa), and words indicating a gender include all genders;
- (d) a reference to "US\$" is to the lawful currency for the time being of the United States and a reference to "\$" is to the lawful currency for the time being of Singapore; and
- (e) any thing or obligation to be done under this Agreement which requires or falls to be done on a Business Day, shall be done on the next succeeding Business Day, if the day upon which that thing or obligation to be done falls on a day which is not a Business Day.

1.3 The Appendices comprise appendices to this Agreement and form part of this Agreement.

#### ANNOUNCEMENTS

2.1 Immediately following the signature of this Agreement and the Irrevocable Undertakings (or as soon as practicable thereafter), Celestica and Omni shall procure the release of the Announcement. The obligations of the parties, other than this clause 2.1, shall be conditional upon the release of the Announcement. Each party confirms that its board of directors has approved the contents of and

release of the Announcement.

2.2 Except as required by law or any stock exchange or governmental or other regulatory or supervisory body or authority of competent jurisdiction to whose rules the party making the announcement or disclosure is subject, whether or not having the force of law, no party shall make any further announcement or disclosure (including the issue of any circular to shareholders and/or optionholders of Omni or other public communication) concerning this Agreement, the Merger or the Scheme without the prior approval of the other party. The parties shall consult in respect of the terms, timing and manner of publication of any documents (including but not limited to the Announcement and Scheme Document) relating to the Merger and for the avoidance of doubt, Omni will provide drafts of the Scheme Document to Celestica for comment and Celestica shall be entitled to be represented by counsel at the Court hearings for convening the Court Meeting and for the sanction of the Scheme.

#### MERGER

3.1 The Merger will be effected by way of the Scheme, the terms of which are set out in this Agreement and the Announcement together with such other terms agreed by both parties or as are required under applicable laws, regulations, rules and codes.

3.2 All Omni Shares transferred to Celestica pursuant to the Scheme shall be transferred free from Encumbrances and will have all rights now and subsequently attaching to the Omni Shares, including the right to receive and retain all dividends and other distributions declared, made or paid after the date of this Agreement save that the Omni Shareholders will be entitled to retain the final dividend of S\$0.006 per Omni Share approved on 14 May 2001 which will be paid on 18 June 2001 to Omni Shareholders on the register at 8 June 2001.

3.3 Omni Optionholders shall be entitled to exercise Omni Options in accordance with the terms of those options up to and including the Final Option Exercise Date. Omni shall use its reasonable endeavours to procure that the Omni Options shall not be exercisable from and including the Final Omni Option Exercise Date. Arrangements are to be made pursuant to Rule 10.5 of the Omni Employee Share Option Scheme such that on the Merger Date each Omni Option (including each unvested Omni Option) that has not been exercised prior to the Merger Date will continue in full force and effect from and after the Merger Date on the same terms existing prior to such time (except as to the date on which the Omni Options become exercisable, exercise period and termination, but subject to clause 3.3(i)); (i) from and after the Merger Date, each such Omni Option shall entitle its

Page 4

holder to purchase the number of Celestica Shares equal to the product of 0.045 and the number of Omni Shares subject to such Omni Option immediately prior to such time for an exercise price per Celestica Share equal to the exercise price per share of such Omni Option immediately prior to such time divided by 0.045 and shall be exercisable at any time from the Merger Date up until and including the date which is 60 days after the date of the hearing at which the Court sanctions the Scheme; any such options which have not been exercised prior to the expiry of such 60 day period shall automatically lapse and expire; and (ii) Celestica will assume or undertake Omni's obligations under the Omni Employee Share Option Scheme and will assume or be entitled to Omni's rights thereunder, including the right to receive the exercise price upon the exercise of Omni Options. If the foregoing calculations result in any Omni Option being exercisable for a fraction of a Celestica Share, then the number of Celestica Shares subject to such Omni Option shall be rounded down to the next whole number. The Omni Employee Share Option Scheme shall, if practicable, be deemed to be and shall be amended to give effect to the foregoing provisions of this clause 3.3.

3.4 Subject to the fulfilment or waiver (as applicable) of the Conditions, the registration of the copy of the Court Order with the ROC to give effect to the Scheme in accordance with its terms shall take place as soon as practicable and in any event within 15 Business Days after the date of grant of the Court Order or by such other date as Omni and Celestica agree. Omni shall use its best endeavours to register the Court Order in accordance with this clause 3.4 but shall only do so if (i) each of the Conditions has been satisfied or, where

relevant, waived in accordance with the terms of this Agreement and (ii) this Agreement has not been terminated pursuant to clause 10.

3.5 The parties intend that the record date for determining the Omni Shareholders who will be entitled to submit elections to receive cash in respect of all or any of their Omni Shares will be as set out in the Timetable. The parties will consult to determine whether it would be advantageous for this record date to be on an alternative date.

3.6 If the SEC fails to issue a no action letter permitting the Omni shareholders in the United States to elect to receive any form of consideration available in connection with the Scheme; Celestica may prohibit Omni Shareholders resident in the United States from making elections as to the form of consideration they are to receive under the Scheme and such shareholders shall be eligible to receive consideration under the Scheme only in the form of New Celestica Shares.

#### CONDITIONS

4.1 SCHEME CONDITIONS: The Scheme shall only become effective upon delivery of the Court Order to sanction the Scheme to the ROC following fulfilment of the following conditions:

- (a) receipt of all applicable Regulatory Approvals and such approvals not being revoked on or before the Merger Date;
- (b) approval of the Scheme by a majority in number of the Omni Shareholders present (in person or by proxy) and voting at the Court Meeting representing not less than 75 per cent. in value of the Omni Shares in respect of which votes are cast at the Court Meeting pursuant to Section 210 of the Companies Act;
- (c) the sanction of the Scheme and financial assistance, if any, involved therein by the Court; and
- (d) the conditions set out in clause 4.2 being satisfied or, if applicable waived by the relevant party or parties specified in clause 4.4, and this Agreement not being terminated in accordance with its terms.

Page 5

4.2 AGREEMENT CONDITIONS: Completion of the Merger on the Merger Date and the delivery of the Court Order as referred to in clause 4.1, shall be conditional upon the following conditions:

- (a) no government or governmental, investigative or regulatory body or court or any other similar person or body with competent jurisdiction having taken, instituted, implemented or threatened any action, proceeding, suit, investigation or enquiry, or enacted or made any statute, regulation or order, or taken any similar step or imposed any condition that would or might make the Scheme or the Merger or its implementation illegal, void, unenforceable or in breach of any condition imposed by any regulatory authority in or under the laws of any jurisdiction;
- (b) the approval for listing of the New Celestica Shares on the NYSE, subject to official notice of issuance, and the TSE, subject to Celestica filing customary documents with the TSE;
- (c) the making of all necessary or appropriate notifications and filings with, and the expiry or termination of all relevant waiting periods (or extensions thereof) imposed by, competition, anti-trust or other governmental or regulatory authorities in any jurisdiction in connection with the implementation of the Merger, including, if applicable the expiry or termination of all applicable waiting periods (including any extension thereof) including under the HSR Act in the United States; and if applicable, the European Commission having issued a decision under Article 6(1)(b) of the Merger Regulation or being deemed to have done so under Article 10(6) of the Merger Regulation; and
- (d) no indications having been received or expected from Lee Kim Bock or

Khaw Kheng Joo or any two of the three other members of Management to the effect that they have terminated or intend to terminate their employment agreement with Celestica Asia Pte Ltd or otherwise not perform their obligations thereunder.

4.3 The Scheme Conditions (other than the Scheme Condition specified in clause 4.1(d)) and the terms of the Merger specified in the Announcement shall only be capable of amendment or waiver by the parties acting jointly.

4.4 Celestica and Omni, acting together, may waive all or any of the conditions contained in clauses 4.2(a), (b) and (c) in whole or in part. Celestica has the right to waive the condition contained in clause 4.2(d) in whole or in part.

4.5 Each of the parties shall use all reasonable endeavours to procure satisfaction of the Conditions as soon as reasonably possible after release of the Announcement and to procure that no event occurs or circumstance arises that would prevent the Conditions from being fulfilled or would entitle either party to terminate this Agreement pursuant to clause 10.

4.6 Each party will notify the other of any matter or circumstance that it becomes aware of which might cause or result in (i) any of the Conditions to be unfulfilled or incapable of fulfilment or (ii) either party having the right to terminate this Agreement pursuant to clause 10, as soon as possible after becoming aware of such matter or circumstance.

#### OMNI OBLIGATIONS

5. Omni hereby irrevocably undertakes with Celestica:

(a) to prepare and despatch as soon as reasonably practicable and to use reasonable endeavours to procure the despatch in compliance with the Timetable of (i) the Scheme Document and (ii) all other announcements, advertisements or circulars which are necessary or appropriate for the purposes of the Scheme and to use its best endeavours to propose the resolutions

Page 6

referred to in clause 4.1(b) for approval by the Omni Shareholders at the Court Meeting provided that in the event that a third party publicly announces an intention to make, or the terms of, a Competing Proposal at any time during the 10 Business Days prior to the date on which it is expected that the Scheme Document is to be despatched as stated in the Timetable, and if Celestica shall request, Omni shall postpone the printing and despatch of the Scheme Documents until the date of such despatch is agreed with Celestica which shall be no more than 10 Business Days after such expected despatch date;

(b) as soon as reasonably practicable, to make such filings or assist Celestica to make such filings with antitrust authorities or other governmental or regulatory authorities in any jurisdiction as are necessary or appropriate for implementation of the Merger, or with respect to the acquisition of shares in, or control of Omni, or any of its subsidiaries by Celestica following implementation of the Merger, including without limitation (if applicable) under the Merger Regulation and the HSR Act;

(c) to take all steps required by this Agreement or applicable laws and regulations to be taken by it in relation to the Scheme and to use its best endeavours to procure that the Scheme is implemented on the terms set out in the Announcement and the Scheme Document and, as far as reasonably practicable, in accordance with the Timetable, including, without limitation, (i) seeking the dates for the relevant Court hearings on an urgent basis, (ii) despatching the Scheme Document and appropriate forms of proxy for use at the Court Meeting promptly following approval thereof (where required) by the Court to all of its shareholders and in accordance with the Timetable, (iii) in the event of the Merger being approved by the requisite majority at the Court Meeting, promptly applying to the Court for, and diligently seeking its sanction of, the Scheme and (iv) in the event of the Court Order being obtained, promptly delivering the same to the ROC for registration as contemplated by this Agreement;

- (d) to provide such assistance to Celestica as may reasonably be required in connection with the Scheme and/or Merger and to use reasonable endeavours to facilitate the consummation of the transactions contemplated by this Agreement, the Merger or the implementation of the Merger;
- (e) from the date hereof until the Merger Date and to the extent permitted by applicable laws and existing contractual arrangements with third parties imposing confidentiality obligations, it will (i) give Celestica and its advisers reasonable access, to the offices, properties, books and records of the Omni Group, (ii) furnish to Celestica and its advisers such information relating to the Omni Group (including, without limitation, information relating to the assets, business, financial position, liabilities, management, operations, prospects and results of operations of the Omni Group) as Celestica and its advisers may reasonably require and (iii) authorise and direct its officers, employees, auditors, lawyers and other advisers to assist and co-operate fully with Celestica, in each case for the purposes of implementing and facilitating the Merger;
- (f) from the date hereof until the Merger Date it will, and will procure that each member of the Omni Group will, unless the prior written consent of Celestica is given:
  - (i) carry on its business only in the ordinary and usual course and to take all action reasonably necessary to preserve its assets and not make any significant change in the current business organisation of the Omni Group;
  - (ii) not declare, pay or make or propose the declaration, paying or making of any dividend, bonus or other distribution other than with respect to the final dividend of S\$0.006 per Omni Share to be paid on the 18 June 2001;

Page 7

- (iii) not issue shares of any class or securities convertible into, or rights, warrants or options to subscribe for, shares of Omni or any other member of the Omni Group of any class or such convertible securities (save for Omni Shares issued upon exercise of Omni Options);
- (iv) not, unless the consequences would not be considered material in the context of the Omni Group taken as a whole:
  - (A) enter into any long term contract or commitment other than in the ordinary and usual course of business;
  - (B) enter into any joint venture, partnership or co-operation agreement;
  - (C) acquire or dispose of, or agree to acquire or dispose of any business or any asset (including any shares in any member of the Omni Group) having a value in excess of US\$15 million in respect of a single transaction or US\$50 million in aggregate in respect of all relevant transactions by the Omni Group;
  - (D) create or agree to create any Encumbrance over any assets (other than to secure indebtedness amounting in aggregate to US\$15 million or less), including shares in any member of the Omni Group, or issue or agree to issue any debentures or incur or increase any indebtedness or contingent liability in excess of an aggregate amount of US\$50 million in respect of the Omni Group;
  - (E) enter into any contract or commitment which may result in a material change in nature or scope of the operations of the Omni Group or may result in expenditure in excess of US\$15 million in respect of a single transaction or US\$50 million in aggregate in

respect of all relevant contracts or commitments by the Omni Group; or

- (F) modify or amend or terminate, any agreement, contract arrangement or transaction or agree to any variation of any existing contract to which that relevant member of the Omni Group is a party in each case in any material respect,

provided that nothing in this clause 5(f) shall prevent the undertaking or implementation of any matter or transaction that has been publicly announced to the SGX prior to the date of this Agreement;

- (g) to obtain all Regulatory Approvals and other permissions and consents necessary or appropriate to ensure that as a result of the Merger or the Scheme or its implementation:
  - (i) no indebtedness of any Omni Group Member (other than indebtedness amounting in aggregate to US\$5 million or less) becomes immediately repayable and no Encumbrance over any part of the business, property or assets of any members of the Omni Group (other than in relation to indebtedness amounting in aggregate to US\$5 million or less) becomes enforceable; and
  - (ii) no agreements, licence, permit or other arrangement material to the business of the Omni Group is terminated or adversely modified;

Page 8

- (h) to identify all "affiliates" of Omni within the meaning of Rule 145 promulgated under the Securities Act 1933 of the United States as at the Record Date and to use its reasonable endeavours to procure that any such person, each member of Management, Wuthelam and Koh Boon Hwee each execute a letter substantially in the form set out in Appendix 3;
- (i) to use reasonable endeavours to ensure that its Auditors confirm in writing prior to the date of the Scheme Document that the arrangements agreed to by the parties under clause 3.3 in respect of the Omni Optionholders is fair and reasonable and if such confirmation is not obtained prior to the date of the Scheme Document, to use all reasonable endeavours to implement an alternative arrangement for the treatment of Omni Optionholders in accordance with Celestica's instructions; and
- (j) in the event that a Competing Offer has been publicly announced and Celestica publicly announces a New Celestica Transaction on terms such that the value of the consideration per Omni Share is equal to or in excess of the value of the consideration per Omni Share available under such Competing Proposal, to use its best endeavours to ensure that the Omni Board recommends such New Celestica Transaction to the Omni Shareholders.

#### CELESTICA OBLIGATIONS

6. Celestica hereby irrevocably undertakes with Omni:

- (a) to apply to the SEC for a no-action letter, enabling an Omni shareholder in the United States to elect to receive any form of consideration pursuant to the Scheme;
- (b) to apply for the listing on the TSE and on the NYSE of the New Celestica Shares and from time to time file with the TSE, the NYSE and any other securities regulators such other documents as are necessary for implementation of the Merger;
- (c) as soon as reasonably practicable, to make such filings or assist Omni to make such filings with competition, or other governmental or regulatory authorities in any jurisdiction as are necessary or appropriate for implementation of the Merger, or with respect to the acquisition in, or control of, Omni or any of its subsidiaries by Celestica following implementation of the Merger, including without



limitation (if applicable) under the Merger Regulation and HSR Act;

- (d) to provide such assistance to Omni as may reasonably be required in connection with the Merger including co-operating in relation to the preparation of the Scheme Document and the preparation by the IFA of its recommendation;
- (e) without prejudice to Omni's right to terminate the Agreement pursuant to clause 10.1, to take all steps required by this Agreement or applicable laws and regulations to be taken by it in relation to the Scheme and use its best endeavours to procure that the Scheme is implemented on the terms set out in the Announcement and to be set out in the Scheme Document and in accordance with the Timetable;
- (f) if the Auditor does not confirm in writing prior to the date of the Scheme Document that the arrangement with the Omni Optionholders proposed in clause 3.3 are fair and reasonable, to use all reasonable endeavours to agree with Omni an alternative arrangement for the treatment of Omni Optionholders and implement such arrangement; and
- (g) as far as reasonably practicable, to make arrangements to facilitate the trading of New Celestica Shares by minority Omni Shareholders in line with usual market practice in Singapore at reasonable cost to such Omni Shareholders.

Page 9

#### REPRESENTATIONS AND WARRANTIES

##### 7.1 Omni represents and warrants to Celestica that:

- (a) Omni is validly existing under the laws of Singapore and has obtained all corporate authorisations and all other applicable governmental, statutory, regulatory or other consents, licences, authorisations, waivers or exemptions required to empower it to enter into and perform its obligations under this Agreement; and
- (b) this Agreement, when duly executed, will constitute legal, valid and binding obligations of Omni and the execution, delivery and performance by Omni of this Agreement does not contravene or constitute a default or breach under any provision of applicable law or regulation or of, where applicable, Omni's Memorandum and Articles of Association or any judgement, injunction, order, decree, material agreement or material instrument binding upon Omni.

##### 7.2 Celestica represents and warrants to Omni that:

- (a) Celestica is validly existing under the laws of the Province of Ontario and has obtained all corporate authorisations and all other applicable governmental, statutory, regulatory or other consents, licences, authorisations, waivers or exemptions required to empower it to enter into and perform its obligations under this Agreement;
- (b) this Agreement, when duly executed, will constitute legal, valid and binding obligations of Celestica and the execution, delivery and performance by Celestica of this Agreement does not contravene or constitute a default or breach under any provision of applicable law or regulation or of, where applicable, Celestica's articles or any judgement, injunction, order or decree binding upon Celestica;
- (c) the unissued Celestica Shares to be issued by Celestica to the Omni Shareholders pursuant to the Scheme have been duly and validly authorised and, when issued and delivered in exchange for any Omni Shares pursuant to the Scheme will be duly and validly issued as fully paid and non-assessable shares in the capital of Celestica and when held by persons who are not "affiliates" (as such term is defined in rules promulgated under the Securities Act 1933 of the United States) or "control persons" (for the purposes of applicable Canadian securities legislation) will be freely tradeable in accordance with the rules of the NYSE and TSE, without restriction on transfer or re-sale under United States or Canadian securities laws subject to generally applicable anti-fraud, insider trading restrictions, registration and

other non-prospectus requirements of general application relating to the sale of shares and in the case of persons who are "affiliates" of Omni, compliance with rule 145(d) promulgated under the Securities Act 1933 of the United States;

- (d) from the date of the Announcement until the earlier of the Merger Date or the date on which it is publicly announced that the Merger and/or the Scheme will not proceed, Celestica will continue to carry on its business only in the ordinary and usual course provided that this shall not preclude any acquisition, disposal, amalgamation, merger, restructuring, re-financing, capital raising or similar transaction other than a transaction which would involve a substantial participation by Celestica in a business sector other than the electronics manufacturing services sector or a related manufacturing or services industry.

7.3 Omni represents and warrants to Celestica that as at the date of this Agreement (save as publicly announced by Omni or disclosed by Omni in writing to Celestica on or prior to the date of this Agreement), no member of the Omni Group has, since 31 December 2000:

Page 10

- (i) issued shares of any class, or securities convertible into, or rights, warrants or options to subscribe for or acquire, any such shares or convertible securities (save for Omni Options granted prior to the date of this Agreement, and any shares issued upon exercise of any Omni Options);
- (ii) acquired or disposed of, or agreed to acquire or dispose of, any assets or shares which is material in the context of the Omni Group taken as a whole;
- (iii) entered into (A) any contract, transaction or commitment of a long term or unusual or onerous nature which is material in the context of the Omni Group taken as a whole (other than in the ordinary and usual course of business) or (B) any partnership, co-operation arrangement or joint venture; or
- (iv) incurred or increased any indebtedness or contingent liability of an aggregate amount which might materially and adversely affect the Omni Group taken as a whole.

7.4 Each party represents and warrants to the other that, save as publicly announced by the relevant party or disclosed by the relevant party to the other prior to the date of this Agreement, as at the date of signature of this Agreement it and its subsidiaries have complied with all applicable laws and regulations of all relevant security regulatory authorities and stock exchanges including but not limited to those requiring the filing or disclosure of financial, business or other information.

7.5 Each party will promptly disclose to the other all relevant information which comes to its attention in relation to any fact or matter (whether existing on or before the date of this Agreement or ensuing afterwards) which could reasonably be expected to constitute a breach of any of the warranties set out in this clause 7 if repeated on or at any time prior to the Merger Date by reference to the fact and circumstances then existing or which would reasonably be expected to constitute (i) a breach of any of Omni's obligations under clause 5 or (ii) a right to terminate this Agreement by either party pursuant to clause 10 as soon as possible after becoming aware of such fact or matter.

#### INFORMATION

8.1 Each of the parties shall, upon reasonable notice, provide the other with such information as such other party may reasonably require in connection with the Merger and as it is reasonably able (subject to any obligation of confidentiality) to disclose.

8.2 Each party undertakes to the other that none of the information supplied by it or on its behalf and which is included in the Announcement or any other press announcement relating to the Merger, the Scheme Document or any other document to be issued to Omni Shareholders or otherwise made public in connection with

the Merger contains and/or will contain any untrue statement of a material fact or any opinion or omits and/or will omit to state any material fact or opinion required to be stated therein or necessary to make the statements therein not misleading.

#### NON-SOLICITATION

9.1 Omni represents and warrants that all negotiations and other communications between, on the one hand, it or any member of the Omni Group and any of its or their respective directors, employees, and its current advisers in relation to the Merger, and, so far as it is aware of their activities or is able to influence them, its agents, advisers or representatives and, on the other, any party (other than Celestica) in respect of any approach, proposal or offer in relation to Omni or to its assets and undertakings (or any of them) (other than in the ordinary and usual course of Omni's trading activities), whenever received, have been discontinued.

Page 11

9.2 Omni undertakes to Celestica that prior to the earlier of the Merger Date and the end of the period referred to in clause 9.3, neither it nor any of its subsidiaries (nor any of its or their respective directors or employees or its current advisers in relation to the Merger), and it will procure that, so far as it is aware of their activities or is able to influence them, none of its or their respective advisers, agents or representatives shall directly or indirectly:

- (a) encourage (other than if permitted under clause 9.2(c)) or solicit or initiate the submission of proposals or offers from any person (other than Celestica) in relation to a Competing Proposal (other than Celestica);
- (b) enter into, continue or otherwise participate in any discussions or negotiations or respond to any indications of interest, or otherwise communicate (except to the extent required by applicable laws or the regulations of the SGX or the Singapore Takeover Code) with any person (other than Celestica and its directors, employees, advisers, agents or representatives) approve or recommend or enter into any agreement or arrangement in relation to a Competing Proposal; or
- (c) except to the extent that there is an obligation to do so under the Singapore Takeover Code or to the extent required by applicable laws or the regulations of the SGX, provide information to any person (other than Celestica and its directors, employees, advisers, agents or representatives) in response to, or otherwise co-operate with, assist or participate in, any approach, proposal or offer (including, without limitation, taking any action to assist any person in obtaining any regulatory consents or approvals in connection with such proposal or offer) in relation to any direct or indirect interest in the Omni Shares or the assets and undertakings of Omni (or any of them) other than any which is not in the ordinary and usual course of Omni's trading activities and is permitted under clause 5(f),

provided that nothing in this clause 9.2 shall prevent Omni from completing any sale of assets that has been publicly announced and to which a public announcement has been made to the SGX prior to the date of this Agreement. This clause 9.2 shall survive termination of this Agreement.

9.3 Omni undertakes to Celestica it will promptly notify Celestica of all offers, indications of interest or other communications from any person relating to a Competing Proposal received prior to the end of the period of 30 days from the later of the date of termination of this Agreement and the date on which it becomes reasonable to expect that the Scheme (or any enhanced, revised or amended version thereof) or any New Celestica Transaction (if any has been proposed by Celestica) will not proceed. Such notification shall include the identity of the relevant person making such offer, indications of interest or communication and specific details of the terms thereof. This clause 9.3 shall survive termination of this Agreement.

#### TERMINATION

10.1 This Agreement may be terminated as follows and all obligations of the

parties hereunder (save under clauses 9.2, 9.3, 10.2 and 10.3 and 11) shall cease forthwith:

- (a) by an agreement in writing between Celestica and Omni made at any time prior to the Merger Date;
- (b) by Celestica giving written notice to Omni in the event that:
  - (i) the IFA fails to consent to the inclusion of a recommendation by it of the Scheme in the Scheme Document or the Omni Board (to the extent that each member is permitted to give such recommendation) fails to consent to the inclusion in the Scheme Document of a recommendation by it (unqualified other than by reference to

Page 12

any qualifications or assumptions referred to in the IFA's recommendation) to the Omni Shareholders to vote in favour of the Scheme;

- (ii) a Competing Proposal has been publicly announced on terms such that the value of the consideration per Omni Share is greater than the value of the consideration per Omni Share available under the Scheme;
- (iii) a Competing Proposal has been publicly announced and a New Celestica Transaction has subsequently been publicly announced which is on terms such that the value of the consideration per Omni Share is equal to or in excess of the value of the consideration per Omni Share available under such Competing Proposal and the Omni Board (to the extent that each member is permitted to give such recommendation) fails to recommend, or withdraws or adversely modifies its recommendation of, such New Celestica Transaction to Omni Shareholders;
- (iv) any of the representations and warranties given in clause 7.1 or 7.3 by Omni is untrue or misleading in any material respect as at the date of this Agreement or the representations and warranties given in clause 7.1 by Omni would be untrue or misleading in any material respect if repeated on, or at any time prior to, the Merger Date by reference to the facts and circumstances then existing;
- (v) there is a material breach by Omni of its obligations under clause 5(f) or 5(g) or clause 9.2 or 9.3;
- (vi) other than as publicly disclosed to the SGX before the date of this Agreement, there has occurred in the period commencing on 1 January 2001 and ending on (and including) the Merger Date any change, event or occurrence which has or any changes, events or occurrences which taken together have an adverse effect on the business, operations (including results of operations), assets, properties or condition (financial or otherwise) of the Omni Group, that results in a material diminution in the value of the assets, business or undertaking of the Omni Group, but excluding any change, event or occurrence that is reasonably attributable to (i) the economy (including a slowdown of the economy) or securities markets in general; (ii) the transactions contemplated hereby or the announcement thereof; or (iii) conditions relating to the electronics manufacturing services industry generally; or
- (vii) any information or financial statements which Omni omitted to release publicly which ought to have been so released, or any inaccuracy or omission in information or financial statements publicly released by Omni, in each case in compliance or purported compliance with the laws of Singapore or the Listing Rules, would, if corrected or published as applicable, imply that the value of the assets, business or undertaking of the Omni Group is lower than the value implied by reference to the publicly released information;

- (c) by a party which is entitled to waive a condition (whether alone or jointly) provided that no act or omission of that relevant party has resulted in the relevant Condition being or becoming incapable of satisfaction by giving written notice to the other party if any such Condition shall be or becomes incapable of satisfaction;
- (d) by either party by giving written notice to the other party if all the Conditions shall not have been satisfied or waived (as the case may be) on or prior to the date which is six months from the date of this Agreement or such later date as Celestica and Omni may agree; or

Page 13

- (e) by Omni giving written notice to Celestica in the event that any representations and warranties given in clause 7.2 by Celestica is or becomes untrue or misleading in any material respect as at the date of this Agreement or would be untrue or misleading in any material respect if repeated on, or at any time prior to, the Merger Date by reference to the facts and circumstances then existing.

10.2 Termination of this Agreement shall be without prejudice to the rights of any person which have arisen prior to termination, including (without limitation) any claim in respect of a breach of this Agreement. This clause 10.2 shall survive termination of this Agreement.

10.3 In the event that this Agreement is terminated by either party pursuant to clause 10.1, Omni shall not register the Court Order or take any other action to implement the Scheme. This clause 10.3 shall survive any termination of this Agreement.

#### MISCELLANEOUS

11.1 Save as otherwise provided herein, each party shall pay its own expenses incidental to this Agreement and the Merger.

11.2 Notices under this Agreement shall be given in writing by personal delivery or recorded delivery mail or by facsimile transmission. It shall be served by sending it by fax to the number set out in clause 11.3, or delivering it by hand, or sending it by pre-paid recorded delivery, special delivery or registered post, to the address set out in clause 11.3 and in each case marked for the attention of the relevant party set out in clause 11.3 (or as otherwise notified from time to time in accordance with the provisions of clause 11.3). Any notice so served by hand, fax or post shall be deemed to have been duly given (i) in the case of delivery by hand, when delivered; (ii) in the case of fax, at the time of transmission; and (iii) in the case of prepaid recorded delivery, special delivery or registered post, at 5pm on the fifth Business Day following the date of posting; provided that in each case where delivery by hand or by fax occurs after 6pm on a Business Day or on a day which is not a Business Day, service shall be deemed to occur at 9am on the next following Business Day. References to time in this clause are to local time in the country of the addressee.

11.3 The addresses and fax numbers of the parties for the purpose of clause 11.2 are as follows:

- (a) if to Celestica:

Address: Celestica Inc.  
12 Concorde Place, 7th Floor  
Toronto, Ontario  
Canada M3C 3R8

Attention: Rahul Suri, Senior Vice-President, Mergers &  
Acquisitions

Facsimile: +1 416 448 5444

- (b) if to Omni:

Address: Omni Industries Limited

53 Serangoon North Avenue 4  
#03-00  
Singapore 555852

Attention: Lee Kim Bock

Page 14

Facsimile: +65 484 1157

A party may notify the other party to this Agreement of a change to its name, relevant addressee, address or fax number, provided that, such notice shall only be effective on:

- (a) the date specified in the notice as the date on which the change is to take place; or
- (b) if no date is specified or the date specified is less than five Business Days after the date on which notice is given, the date following five Business Days after notice of any change has been given.

11.4 The provisions of this Agreement shall not survive completion of the Merger, unless otherwise specified. Clauses 9.2, 9.3, 10.2, 10.3 and 11 shall survive termination of this Agreement and completion of the Merger.

11.5 This Agreement may be modified or amended only by written agreement of the parties.

11.6 This Agreement and the letter signed by the parties in the form attached as Appendix 3 constitutes the entire agreement between the parties and supersedes all other agreements, understandings, representations and warranties between the parties with respect to the subject matter hereof (other than the Confidentiality Agreement, which shall remain in full force and effect). The rights and obligations of the parties under this Agreement shall not be assignable.

11.7 Each of the parties agrees that, in addition to any remedies specifically provided for herein, the parties shall be entitled to all other remedies at law or equity to the extent permitted by applicable law.

11.8 This Agreement may be executed by the parties on separate counterparts, each counterpart constituting an original copy of this Agreement, but the counterparts shall together constitute one and the same agreement.

11.9 This Agreement and the Merger shall be governed by and construed in accordance with the laws of Singapore. The parties hereby submit to the non-exclusive jurisdiction of the courts of Singapore.

Page 15

AS WITNESS this Agreement has been signed on behalf of the parties the day and year first before written.

SIGNED by Lee Kim Bock )  
for and on behalf of )  
OMNI INDUSTRIES LIMITED )

in the presence of: )

SIGNED by Rahul Suri, Senior Vice President, )  
Mergers & Acquisitions )  
for and on behalf of )  
CELESTICA INC. )  
in the presence of: )

Page 16

APPENDIX I  
ANNOUNCEMENT

Page 17

ANNOUNCEMENT

-----  
OMNI INDUSTRIES LIMITED  
(Incorporated in the Republic of Singapore)

CELESTICA INC.  
(Incorporated under the laws of the Province of  
Ontario, Canada)  
-----

PROPOSED ACQUISITION OF OMNI INDUSTRIES LIMITED BY  
CELESTICA INC.

INTRODUCTION

Omni Industries Limited ("Omni") and Celestica Inc. ("Celestica") are pleased to announce that they have today entered into a merger agreement ("Merger Agreement") for a proposed merger ("Merger") by way of a scheme of arrangement involving the acquisition by Celestica of all the ordinary shares of S\$0.10 each in the capital of Omni ("Omni shares").

THE PROPOSED SCHEME

Pursuant to the terms of the Merger Agreement, Omni will propose a scheme of arrangement under Section 210 of the Singapore Companies Act, Chapter 50 to its shareholders for the transfer of their Omni shares to Celestica or a wholly owned subsidiary of Celestica ("Scheme").

Omni shareholders will be entitled to receive 0.045 subordinate voting shares of Celestica ("Celestica shares") for each Omni share transferred under the Scheme. Omni shareholders will be able to elect to receive cash (instead of Celestica shares) in respect of some or all of their Omni shares on the basis of S\$4.25 for each Omni share transferred under the Scheme. However, the total cash available for the cash election is limited to S\$860 million. Accordingly, if Omni shareholders were to elect to receive more cash than is available, their cash elections would be pro-rated so that a maximum of S\$860 million cash is paid by Celestica. As a result, Omni shareholders who make the cash election in respect of some or all of the consideration received under the Scheme may not

know the exact amount of cash or Celestica shares they will receive until settlement of the consideration under the Scheme. However, the cash election ensures that an Omni shareholder can receive at least 50% of his consideration in cash, based on Celestica's closing share price of US\$45.71 as of 13 June 2001. The Scheme values the shares of Omni at S\$1.6 billion assuming full take up of the cash election, based on the same Celestica closing price.

Omni shareholders who fail to make an election as to the form of consideration they wish to receive or who are not permitted to make an election due to the securities laws of the jurisdiction in which they reside will receive consideration in the form of Celestica shares only.

All Omni shares transferred to Celestica pursuant to the Scheme shall be transferred free from encumbrances and security interests and with all rights attaching to them, including the right to receive and retain all dividends and other distributions declared, made or paid after the date of the Merger Agreement save that the Omni shareholders will be entitled to retain the final dividend of S\$0.006 per Omni share approved on 14 May 2001 which will be paid on 18 June 2001 to Omni shareholders on the register at 8 June 2001.

Following the Scheme becoming effective, Omni will become a wholly-owned subsidiary of Celestica and its ordinary shares, at present listed and quoted on the Singapore Exchange Securities Trading Limited ("SGX-ST"), will be delisted from the Official List.

It is currently expected that the Scheme Documentation will be despatched to Omni shareholders by the end of August 2001 and that the Scheme will be implemented early in the fourth quarter, subject to the satisfaction of procedural requirements.

Page 18

#### OPTIONHOLDERS

Appropriate arrangements will be made for optionholders. Further details of the proposed arrangements for optionholders will be included in the Scheme documentation and will be sent to optionholders in due course.

#### RATIONALE FOR SCHEME/BENEFITS OF TRANSACTION

After the Merger, the combined company will have an increased global presence, expanded customer base and enhanced product offerings.

Omni's strong Asian presence will greatly contribute to strengthening the combined company's foundation in Asia. Omni's strong management team will be key in driving the combined company's growth initiatives in the Asian region. The Merger will provide additional customers to the company and expand relationships with existing customers. It will also diversify the company's product mix and provide the company with access to world-class high-precision plastic component capabilities.

The Merger will enable Omni to realise its objectives of becoming a premier global player in the electronics manufacturing industry and benefit from the relatively higher valuations enjoyed by the larger global electronics manufacturing companies. Omni will enjoy a broader and more diverse product and customer base. Following the Merger, Omni will be part of a group with increased operations, greater sales and expanded economies of scale.

#### SCHEME PRICING

The table below, which is for illustrative purposes only, shows the value that a holder of 1,000 Omni shares would receive under the Scheme on the basis that the shareholder makes (i) no election for cash and (ii) elects for cash in respect of all his shares, based on the closing prices of Celestica shares on 13 June 2001 and the average of the closing prices of the 20 trading days ending on 13 June 2001 and the premium over the Omni share price on the same bases. The figures below are based on a currency exchange rate of US\$1 = S\$1.81 for illustrative purposes.

#### VALUE OF CONSIDERATION FOR 1,000 OMNI SHARES



	BASED ON THE CLOSE OF BUSINESS ON 13 JUNE 2001	BASED ON THE AVERAGE OF THE 20 TRADING DAYS ENDING 13 JUNE 2001
(i) NO CASH ELECTION	S\$3,723	S\$4,360
PREMIUM	19%	51%
(ii) CASH ELECTION		
a) Receive 100% Cash	S\$4,250	S\$4,250
PREMIUM	36%	48%
.....b) Receive Minimum Cash (Note)	S\$3,981	S\$4,306
PREMIUM	28%	49%

NOTE: THE MINIMUM CASH THAT A HOLDER OF 1,000 OMNI SHARES WOULD RECEIVE IF HE ELECTED IN FULL TO RECEIVE CASH AND ALL OTHER OMNI SHAREHOLDERS (AFTER THE EXERCISE OF ALL OPTIONS) ELECTED IN FULL TO RECEIVE CASH IS S\$2,078, AFTER BEING PRO-RATED. IN ADDITION, THE HOLDER OF 1,000 OMNI SHARES WOULD RECEIVE 23 CELESTICA SHARES.

#### VOTING UNDERTAKINGS

Koh Boon Hwee, Lee Kim Bock, Khaw Kheng Joo, Sim Beng Chye, Tan Chow Boon, Seow Kiat Wang and Wuthelam Industries (S) Pte Ltd, who own or control approximately 32% of the total issued Omni

Page 19

shares as of this date, have given Omni and Celestica irrevocable undertakings to support the Scheme and to vote all of their Omni shares and any other Omni shares they may receive in favour of the Scheme.

#### FINANCIAL HIGHLIGHTS OF CELESTICA AND OMNI

For the financial year ended 31 December 2000, based on audited financial statements, the Celestica group recorded a turnover of S\$17,651 million, an adjusted net earnings of S\$550 million and a net profit after tax of S\$375 million. As of 31 December 2000, its total assets amounted to S\$10,748 million and its total liabilities amounted to S\$4,469 million, whilst its net tangible assets were S\$5,233 million. The above figures are based on a currency exchange rate of US\$1 = S\$1.81 for illustrative purposes.

For the financial year ended 31 December 2000, based on audited financial statements, the Omni group recorded a turnover of S\$1,684 million, a profit before tax of S\$63 million and a profit after tax but before minority interest and extraordinary items of S\$50 million. As of 31 December 2000 its total assets amounted to S\$744 million and its total liabilities amounted to S\$543 million whilst its net tangible assets were S\$193 million.

#### APPROVALS AND CONDITIONS OF THE SCHEME

The Securities Industry Council has confirmed that the Singapore Code on Takeovers and Mergers will not apply to the Scheme.

The completion of the Merger is conditional upon a number of conditions being satisfied and the non-occurrence of certain relevant events. Further details of these are set out in the Appendix to this announcement.

#### INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS OF OMNI

In connection with the Scheme, Lee Kim Bock, Khaw Kheng Joo, Sim Beng Chye, and Tan Chow Boon will be entering into employment contracts with a subsidiary of Celestica.

Save as disclosed, no other substantial shareholder or director of Omni has any interest in the Scheme (other than by reason only of being a shareholder or director of Omni).

#### INDEPENDENT FINANCIAL ADVISER TO OMNI

Omni has appointed ANZ Singapore Limited ("ANZ Investment Bank") to act as independent financial advisor to the independent directors of Omni in connection with the Scheme. Based on its preliminary review of the Scheme as of the date hereof, ANZ Investment Bank is of the opinion that the terms of the Scheme are fair, reasonable and are not prejudicial to the interests of the shareholders of Omni from a financial point of view. ANZ Investment Bank will issue its formal opinion following a full review of the financial terms of the Scheme which will be carried out prior to the despatch of the Scheme Document.

#### INDEPENDENT DIRECTORS OF OMNI

The directors of Omni who are considered to be independent for the purposes of the Scheme are Koh Boon Hwee, Goh Hup Jin, Chua Soo Tian and Robert Chua Teck Chew (the "Independent Directors"). The Independent Directors have carefully considered the terms of the Scheme and the preliminary opinion of ANZ Investment Bank and are of the unanimous opinion that the terms of the Scheme are fair, reasonable and not prejudicial to the interests of the shareholders of Omni and as of the date hereof recommend that the Omni shareholders vote in favour of the Scheme.

Page 20

#### FINANCIAL ADVISERS TO OMNI AND CELESTICA

Omni has appointed Morgan Stanley to act as its financial advisor in connection with the Merger. Celestica has appointed Credit Suisse First Boston to act as its financial advisor in connection with the Merger.

#### DESPATCH OF SCHEME DOCUMENT

Omni will despatch a Scheme Document containing further information on the terms of the Scheme, listing particulars in relation to the Celestica shares and a notice of the meeting to approve the Scheme as soon as practicable. Shareholders are advised to exercise caution when trading in Omni shares until they receive the Scheme Document.

#### ABOUT CELESTICA

Celestica is a Canadian-based leading provider of electronics manufacturing services, or EMS, to original equipment manufacturers, or OEMs, worldwide. Celestica is the third largest EMS provider in the world. Celestica has operations in the United States, Canada, Mexico, United Kingdom, Ireland, Italy, Thailand, China, Hong Kong, Czech Republic, Brazil, Singapore, Malaysia and Japan. Celestica provides a variety of products and services to its customers, including manufacture, assembly and testing of complex printed circuit assemblies and full system assembly of final products. In addition, Celestica provides a wide range of EMS services from product design to worldwide distribution and after-sales support.

The authorised capital of Celestica consists of an unlimited number of subordinate voting shares, an unlimited number of multiple voting shares and an unlimited number of preference shares. As of 13 June 2001, 177,164,115 subordinate voting shares, 39,065,950 multiple voting shares and no preference shares were outstanding. Celestica's subordinate voting shares are listed on the New York and Toronto stock exchanges. As of 13 June 2001, the market capitalization of Celestica's subordinate and multiple voting shares was approximately S\$17,890 million. The above figures are based on a currency exchange rate of US\$1 = S\$1.81 for illustrative purposes.

#### ABOUT OMNI

Omni provides electronics manufacturing services ranging from the initial stage of product design and development, to plastics injection mold fabrication and molding, through to contract manufacturing and final product assembly in the electronics manufacturing services. It is also involved in the trading and distribution of electronic components and computer peripherals. Omni also provides the semiconductor industry with design and manufacturing of equipment and design and manufacture of organic substrates. Presently, Omni has manufacturing facilities and sales offices located in Singapore, Malaysia,

China, Thailand, Indonesia, Mexico and the US. Omni, through its subsidiaries, provides a one-stop manufacturing service for global OEM in the computer and computer peripheral, telecommunications, electronics and semiconductor industries.

Omni is based in Singapore and is listed on the SGX-ST. As of 31 December 2000, Omni has an authorized share capital of S\$50 million divided into 500,000,000 ordinary shares of S\$0.10 each and an issued and paid-up share capital of approximately S\$39 million divided into 392,984,800 ordinary shares of S\$0.10 each. As of 13 June 2001 Omni's market capitalization was S\$1,233 million.

15 June 2001

-----  
By order of the Board  
Omni Industries Limited

Michael Tay Kwang How  
Company Secretary

By order of the Board  
Celestica Inc.

Elizabeth Del Bianco  
Vice President & General Counsel  
-----

Page 21

#### APPENDIX

The completion of the Merger is conditional upon a number of conditions becoming satisfied and non-occurrence of any of the relevant events, which include:

##### CONDITIONS

- o the receipt of all applicable regulatory and such approvals not being revoked before the Merger Date;
- o the approval of the Scheme by the Omni shareholders at the Court Meeting in accordance with Section 210 of the Companies Act, Chapter 50;
- o the approval of the Scheme by the Court;
- o the listing of the New Celestica Shares on the New York and Toronto Stock Exchanges; and
- o no indications having been received or expected from certain key members of management that they have terminated or intend to terminate their respective employment agreements with Celestica.

Each of these conditions must be satisfied within 6 months from the date of the Merger Agreement.

##### RELEVANT EVENTS

Celestica may choose not to proceed with the Merger if any of the following relevant events occurs before the effective date of the Scheme:

- o a material breach by Omni of its pre-merger obligations or representations and warranties;
- o a change having an adverse effect on the business, operations, assets, properties or condition of the Omni group of companies that results in a material diminution in value of the Omni group of companies other than reasonably attributable to the economy or markets in general or conditions relating to the electronics manufacturing services or the transactions contemplated by the Merger Agreement or the announcement thereof;
- o there is a material inaccuracy in, or omission from, information publicly announced by Omni which would imply that the value of the assets, business or undertaking of the Omni group is lower than the value implied by the publicly released information;
- o a higher competing proposal has been publicly announced; or

- o if the Scheme is no longer recommended by the independent financial advisor and/or the Omni board of directors.

Omni may choose not to proceed with the Merger if, before the effective date of the Scheme there is a material breach by Celestica of its representations and warranties.

Page 22

## APPENDIX 2

### TIMETABLE

DATE	DAY	ACTION
15 June 2001	Friday	Announcement
15 June 2001 - 13 July 2001		Preparation of Scheme Document (including internal review of drafts) (4 weeks)
13 July 2001	Friday	Submit draft to SGX for clearance (4 weeks)
10 August 2001	Friday	SGX clearance
13 August 2001	Monday	File application to Court for directions to convene Court Meeting (COURT MEETING)
24 August 2001	Friday	- Court hearing for Court Meeting - Start printing of Scheme Document (at 2-3 days)
29 August 2001	Wednesday	- Post Scheme Document to Shareholders - Advertise Notice of Court Meeting
20 September 2001	Thursday	Court Meeting
20 September 2001	Thursday	File application to Court for sanction of Scheme
27 September 2001	Thursday	Court hearing for sanction of Scheme
28 September 2001	Friday	Announcement of Court Sanction and Notice of Books Closure Date/Record Date (at least 10 market days' notice)
8 October 2001	Monday	Last day of trading (3 clear market days before Books Closure Date/Record Date)
12 October 2001	Friday	Books Closure Date/Record Date
15 October 2001	Monday	Merger Date* (date the Court Order is lodged with ROC and the Scheme becomes effective)

\*Merger Date may be postponed depending on when it is agreed between the parties that Omni Shareholders may make their election as to consideration to be received under the Scheme.

Page 23

## APPENDIX 3

### FORM OF LETTER

### FORM OF INDIVIDUAL AFFILIATE LETTER

Gentlemen:

The undersigned, a holder of ordinary shares ("Company Shares"), of Omni Industries Limited, a Singapore incorporated company (the "Company"), is entitled to receive in connection with the merger (the "Merger") of the Company with Celestica Inc. or a subsidiary of Celestica Inc. ("Merger Sub"), Subordinate Voting Shares (the "Subordinate Shares") of Celestica Inc., a corporation organized under the laws of the Province of Ontario, Canada (the "Parent"). The undersigned acknowledges that the undersigned may be deemed an "affiliate" of the Company within the meaning of Rule 145 ("Rule 145") promulgated under the Securities Act of 1933, as amended (the "Act"), although nothing contained herein should be construed as an admission of such fact.

If the undersigned were an affiliate under the Act, the undersigned's ability to sell, assign or transfer the Subordinate Shares received by the undersigned in exchange for any Company Shares pursuant to the Merger may be restricted unless an exemption from such registration is available. The undersigned understands that such exemptions are limited and the undersigned has obtained advice of counsel as to the nature and conditions of such exemptions including information with respect to the applicability to the sale of such securities pursuant to Rules 144 and 145(d) promulgated under the Act.

The undersigned hereby represents to and covenants with the Company, Merger Sub and Parent that the undersigned will not sell, assign or transfer any of the Subordinate Shares received by the undersigned in exchange for Company Shares pursuant to the Merger except (i) in conformity with the volume and other limitations of Rule 145, or (ii) in a transaction which, in the opinion of the general counsel of Parent or other independent counsel reasonably satisfactory to Parent or as described in a "no-action" or interpretative letter from Staff of the Securities and Exchange Commission (the "SEC"), is not required to be registered under the Act.

In the event of a sale or other disposition by the undersigned of Subordinate Shares pursuant to Rule 145, the undersigned will supply Parent with evidence of compliance with such Rule, in the form of a letter in the form of Annex I hereto with a certificate of compliance with Rule 145 in customary form from a broker or a market maker attached thereto. The undersigned understands that Parent will, on the Business Day immediately following the date on which such evidence of compliance is received instruct the transfer agent to effectuate the transfer of the Subordinate Shares sold as indicated in such letter and certificate.

The undersigned acknowledges and agrees that the following appropriate legend will be placed on certificates representing Subordinate Shares received by the undersigned in the Merger or held by a transferee thereof, which legends will be removed (i) by delivery of substitute certificates upon receipt of the compliance evidence referred to in the paragraph above which shall be delivered in accordance with the notice provisions set out below; and (ii) without further action upon expiry of the period of one year from the date of issuance of the Subordinate Shares.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY BE REOFFERED OR SOLD ONLY IF REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR IF AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

The undersigned acknowledges that (i) the undersigned has carefully read this letter and understands the requirements hereof and the limitations imposed upon the distribution, sale, transfer or other disposition of Subordinate Shares and (ii) the receipt by Parent of this letter is an inducement and a condition to Parent's obligations to consummate, or to procure that a wholly-owned subsidiary of Parent consummate, the Merger.

Page 25

Any notice or evidence of compliance referred to in this letter shall be given in writing by personal delivery or by facsimile transmission. It shall be served by sending it by fax to the numbers set out below or delivering it by hand to the address set out below in each case marked for the attention of the relevant parties set out below (or as otherwise notified from time to time in accordance with this letter). Any notice so served by hand or by fax shall be deemed to have been duly given (i) in the case of delivery by hand, at the time of receipt stamped on a delivery receipt; and (ii) in the case of fax, at the time of transmission of the later of the two transmissions (provided that a confirmed

receipt of each of the two transmissions is received on the sender's facsimile machine); provided that in each case where delivery by hand or by fax occurs after 6pm on a Business Day or on a day which is not a Business Day, service shall be deemed to occur at 9am on the next following Business Day. References to time in this clause are to local time in the country of the addressee and references to a Business Day are to days (excluding Saturdays) on which banks in Singapore and Toronto are open for a full range of banking business.

The relevant address and fax numbers of Parent for the purposes of this letter are as follows:

(a) Address: Celestica Inc.

12 Concorde Place, 7th Floor  
Toronto, Ontario  
Canada M3C 3R8

Attention: Rahul Suri, Senior Vice-President, Mergers & Acquisitions

Facsimile: +1 416 448 5444

Attention: Elizabeth DelBianco, Vice-President and General Counsel

Facsimile: +1 416 386 7817

(A separate notice shall be sent to EACH of the two addressees)

Provided that Parent may notify the other party to this Agreement of a change to its name, relevant addressee(s), address or fax number(s), provided that, such notice shall only be effective on:

- (a) the date specified in the notice as the date on which the change is to take place; or
- (b) if no date is specified or the date specified is less than five Business Days after the date on which notice is given, the date following five Business Days after notice of any change has been given.

Dated:

Very truly yours,

Page 26

#### ANNEX I

[NAME] [DATE]

On \_\_\_\_\_ the undersigned sold the Subordinate Voting Shares of Celestica Inc. ("PARENT") described below in the space provided for that purpose (the "SUBORDINATE SHARES"). The Subordinate Shares were received by the undersigned in connection with the merger of Omni Industries Limited with and into Parent or a subsidiary of Parent. Based upon the most recent report or statement filed by Parent with the Securities and Exchange Commission, including the most recent weekly trading volumes and number of outstanding shares disclosed therein, the Subordinate Shares sold by the undersigned were within the prescribed limitations set forth in paragraph (e) of Rule 144 promulgated under the Securities Act of 1933, as amended (the "Act").

The undersigned hereby represents that the Subordinate Shares were sold in "brokers' transactions" within the meaning of Section 4(4) of the Act or in transactions directly with a "market maker" as that term is defined in Section 3(a)(38) of the Securities Exchange Act of 1934, as amended. The undersigned further represents that the undersigned has not solicited or arranged for the solicitation of orders to buy the Subordinate Shares, and that the undersigned has not made any payment in connection with the offer or sale of the Subordinate

Shares to any person other than to the broker who executed the order in respect of such sale.

Very truly yours,

[Space to be provided for description of securities]

[NOTE: This letter to be accompanied by a letter from the selling broker or market maker confirming compliance with the requirements of Rule 145.]

CONFIDENTIAL MATERIALS  
OMITTED AND FILED  
SEPARATELY WITH THE  
SECURITIES AND  
EXCHANGE COMMISSION.  
ASTERISKS DENOTE OMISSIONS.

EXHIBIT 3.9

ASSET PURCHASE AGREEMENT

BY AND BETWEEN

LUCENT TECHNOLOGIES INC.

AS SELLER

AND

CELESTICA CORPORATION

AS BUYER

DATED AS OF JULY 24, 2001

LUCENT TECHNOLOGIES/CELESTICA

TABLE OF CONTENTS

	Page
	----
1. Definitions.....	1
1.1 Defined Terms.....	1
1.2 Other Definitional and Interpretive Matters.....	9
2. Purchase and Sale of the Business.....	10



2.1	Purchase and Sale of Assets.....	10
2.2	Excluded Assets.....	11
2.3	Purchase Price.....	12
2.4	Assumed Liabilities.....	13
2.5	Excluded Liabilities.....	14
2.6	Further Assurances; Further Conveyances and Assumptions; Consent of Third Parties.....	14
2.7	No Licenses.....	15
2.8	Bulk Sales Law.....	15
2.9	Taxes.....	16
2.10	Inventory Put-Back.....	16
3.	Representations and Warranties of Seller.....	16
3.1	Organization and Qualification.....	16
3.2	Authorization; Binding Effect.....	17
3.3	Non-Contravention; Consents.....	17
3.4	Title to Property; Principal Equipment; Sufficiency of Assets.....	18
3.5	Permits, Licenses.....	18
3.6	Real Estate.....	18
3.7	Compliance With Laws; Litigation.....	19
3.8	Business Employees.....	20
3.9	Contracts.....	20
3.10	Environmental Matters.....	21
3.11	Financial Statement; Absence of Changes.....	22
3.12	Intellectual	
	Property.....	22
3.13	Brokers.....	23
3.14	Inventory.....	23
3.15	Full Disclosure.....	23
3.16	Projections.....	24
3.17	No Other Representations or Warranties.....	24
4.	Representations and Warranties of Buyer.....	24
4.1	Organization and Qualification.....	24
4.2	Authorization; Binding Effect.....	24
4.3	No Violations.....	25
4.4	Brokers.....	25
4.5	No Other Seller Representations and Warranties.....	25
4.6	Sufficiency of Funds.....	26
5.	Certain Covenants.....	26
5.1	Access and Information.....	26
5.2	Conduct of Business.....	28
5.3	Tax Reporting and Allocation of Consideration.....	29

- i -

# LUCENT TECHNOLOGIES/CELESTICA

Page

----

5.4	Business Employees.....	29
5.5	Collateral Agreements; Leased Equipment.....	31
5.6	Regulatory Compliance.....	32
5.7	Contacts with Suppliers, Employees and Customers.....	32
5.8	No Negotiation or Solicitation.....	32
5.9	Use of Lucent's Name.....	32
5.10	Environmental.....	34
5.11	SEC Disclosure.....	38
5.12	Schedule Updates.....	38
5.13	Assets Put.....	39
5.14	Business Services Agreement.....	39
6.	Confidential Nature of Information.....	40
6.1	Confidentiality Agreement.....	40
6.2	Seller's Proprietary Information.....	40

7.	Closing.....	41
7.1	Deliveries by Seller.....	41
7.2	Deliveries by Buyer.....	42
7.3	Closing Date.....	43
7.4	Contemporaneous Effectiveness.....	43
7.5	Risk of Loss for Purchased Assets.....	43
8.	Conditions Precedent to Closing.....	43
8.1	General Conditions.....	43
8.2	Conditions Precedent to Buyer's Obligations.....	44
8.3	Conditions Precedent to Seller's Obligations.....	45
9.	Status of Agreements.....	45
9.1	Effect of Breach.....	45
9.2	Survival of Representations and Warranties.....	45
9.3	General Agreement to Indemnify.....	46
9.4	General Procedures for Indemnification.....	48
9.5	Breach of Representations Resulting in Limitation of Obligations Under the Supply Agreement.....	49
10.	Miscellaneous Provisions.....	49
10.1	Notices.....	49
10.2	Expenses.....	50
10.3	Entire Agreement; Modification.....	50
10.4	Assignment; Binding Effect; Severability.....	50
10.5	Governing Law.....	51
10.6	Execution in Counterparts.....	51
10.7	Public Announcement.....	51
10.8	No Third-Party Beneficiaries.....	51
11.	Termination and Waiver.....	52
11.1	Termination.....	52
11.2	Effect of Termination.....	52
11.3	Waiver of Agreement.....	52
11.4	Amendment of Agreement.....	53

- ii -

## LUCENT TECHNOLOGIES/CELESTICA

### Schedules

SCHEDULE 1.1(d)	Principal Equipment
SCHEDULE 2.1(g)	Licenses
SCHEDULE 2.1(i)	Governmental Permits
SCHEDULE 2.2(f)	Excluded Contracts
SCHEDULE 2.2(i)	Certain Excluded Assets
SCHEDULE 3.3(b)	Required Consents
SCHEDULE 3.6(a)	Premises
SCHEDULE 3.6(b)	Buildings
SCHEDULE 3.6(c)	Repairs
SCHEDULE 3.7(a)	Compliance with Laws
SCHEDULE 3.7(b)	Litigation
SCHEDULE 3.8(a)	Business Employees
SCHEDULE 3.8(b)	Benefit Plans
SCHEDULE 3.9	Material Contracts
SCHEDULE 3.10	Environmental Matters
SCHEDULE 3.11	Financial Statements
SCHEDULE 3.12(b)	Intellectual Property
SCHEDULE 3.16	Projections
SCHEDULE 4.3(b)	Buyer Consents
SCHEDULE 5.2	Exceptions to Seller's Conduct of Business
SCHEDULE 5.4	Initially Transferred Employees

### EXHIBITS

EXHIBIT A	Form of Assignment and Bill of Sale
EXHIBIT B	Form of Assumption Agreement
EXHIBIT C	Form of Intellectual Property Agreement
EXHIBIT D	Form of Lease
EXHIBIT E	Form of Real Estate Deed
EXHIBIT F	Form of Supply Agreement
EXHIBIT G	Form of Transition Services Agreement

- iii -

LUCENT TECHNOLOGIES/CELESTICA

AGREEMENT FOR THE PURCHASE AND SALE OF ASSETS

THIS AGREEMENT FOR THE PURCHASE AND SALE OF ASSETS ("Agreement") is made as of July 24, 2001 by and between LUCENT TECHNOLOGIES INC., a Delaware corporation, having an office at 600-700 Mountain Avenue, Murray Hill, New Jersey 07974-0636 ("Seller" or "Lucent"), and CELESTICA CORPORATION, a Delaware corporation, having an office at Pease International Tradeport, Attn. EXA03, 72 Pease Boulevard, Newington, New Hampshire 03801 ("Buyer").

R E C I T A L S

A. WHEREAS, Seller is, among other things, engaged through its Wireless Networks Group at the Premises (as hereinafter defined) in the manufacturing and repair of printed circuit board assemblies and frame assemblies for wireless products, including the CDMA, UMTS and power amplifiers (collectively, the "Business");

B. WHEREAS, the Business is composed of certain assets and liabilities that are currently part of Seller;

C. WHEREAS, Seller desire to sell, transfer and assign to Buyer, and Buyer desires to purchase and assume from Seller, the Purchased Assets (as hereinafter defined), and Buyer is willing to assume, the Assumed Liabilities (as hereinafter defined), in each case as more fully described and upon the terms and subject to the conditions set forth herein; and

D. WHEREAS, Seller and Buyer desire to enter into each Assignment and Bill of Sale, each Assumption Agreement, the Supply Agreement, the Intellectual Property Agreement, the Transition Services Agreement, the Lease, each Real Estate Deed and the Access Agreement (collectively, the "Collateral Agreements").

NOW, THEREFORE, in consideration of the mutual agreements and covenants herein contained and intending to be legally bound hereby, the parties hereto hereby agree as follows:

1. DEFINITIONS

1.1 DEFINED TERMS

For the purposes of this Agreement, in addition to the words and phrases that are described throughout the body of this Agreement, the following words and phrases shall have the following meanings:

"ACCESS AGREEMENT" means the agreement substantially in the form set forth as Exhibit H.

"AFFILIATE" of any Person means any Person that controls, is controlled by, or is under common control with such Person. "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such entity, whether through ownership of voting securities or other interests, by contract or otherwise.

- 1 -

LUCENT TECHNOLOGIES/CELESTICA

"AGREEMENT" has the meaning assigned in the preamble hereof.

"ASSET ACQUISITION STATEMENT" has the meaning assigned in Section

5.3(b).

"ASSIGNMENT AND BILL OF SALE" means each agreement in substantially the form set forth as Exhibit A.

"ASSUMED LIABILITIES" means the liabilities and obligations of Seller assumed by Buyer pursuant to the Assumption Agreement and Section 2.4.

"ASSUMPTION AGREEMENT" means each agreement in substantially the form set forth as EXHIBIT B.

"BENEFIT PLAN" means, in respect of any Business Employee, each "employee benefit plan," as defined in Section 3(3) of ERISA (including any "multiemployer plan" as defined in Section 3(37) of ERISA) and each profit-sharing, bonus, stock option, stock purchase, stock ownership, pension, retirement, severance, deferred compensation, excess benefit, supplemental unemployment, post-retirement medical or life insurance, welfare or incentive plan, or sick leave, long-term disability, medical, hospitalization, life insurance, other insurance plan, or other employee benefit plan, program or arrangement, whether written or unwritten, qualified or non-qualified, funded or unfunded, maintained or contributed to by Seller.

"BUSINESS" has the meaning assigned in Recital A hereof.

"BUSINESS DAY" means a day that is not a Saturday, a Sunday or a statutory or civic holiday in the State of New York or any other day on which the principal offices of Seller or Buyer are closed or become closed prior to 2:00 p.m. local time.

"BUSINESS EMPLOYEES" means the employees of Seller employed in the Business and identified on SCHEDULE 3.8(a).

"BUSINESS RECORDS" means all books, records, ledgers and files or other similar information used primarily in the conduct of the Business, including price lists, customer lists, vendor lists, mailing lists, warranty information, catalogs, sales promotion literature, advertising materials, brochures, records of operation, standard forms of documents, manuals of operations or business procedures, research materials and product testing reports required by any national, federal, state, provincial or local court, administrative body or other Governmental Body of any country, but excluding any such items to the extent (i) they are included in, or primarily related to, any Excluded Assets or Excluded Liabilities, (ii) any applicable Law prohibits their transfer, or (iii) they are confidential personnel records.

"BUYER" has the meaning assigned in the preamble hereof.

"CERCLA" means the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. Sections 9601 ET SEQ. as amended.

- 2 -

LUCENT TECHNOLOGIES/CELESTICA

"CLOSING" means the closing of the transactions described in Article 7.

"CLOSING BALANCE SHEET" has the meaning assigned in Section 2.3(c).

"CLOSING DATE" means August 31, 2001 or such later date as Seller and Buyer may mutually agree provided that such date is not later than December 31, 2001.

"CODE" means the U.S. Internal Revenue Code of 1986, as amended.

"COLLATERAL AGREEMENTS" has the meaning assigned in Recital D hereof.

"CONFIDENTIALITY AGREEMENT" shall mean the agreement between Seller and Buyer dated March 14, 2001.

"CONTRACTS" means all Third-Party contracts, agreements, leases and subleases, supply contracts, purchase orders, sales orders and instruments used or held for use in each case primarily in the conduct of the Business, that will be in effect on the Closing Date to which Seller is a party, (i) for the lease

of furniture, office equipment or Leased Equipment, as contemplated by Section 5.5(b), (ii) for the provision of goods or services by the Business or for the Business, (iii) for the purchase of goods or supplies that would constitute Inventory, that is required in the opinion of Buyer to satisfy Buyer's obligations for current production requirements under the Supply Agreement as at the Closing Date and that cannot be satisfied by the Purchased Inventory or (iv) any such contracts, agreements, instruments and leases referred to in clauses (i) - (iii), inclusive, entered into between the date hereof and outstanding as of the Closing Date by Seller, but "Contracts" excludes the Excluded Contracts.

"CONTROL" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such entity, whether through ownership of voting securities or other interests, by contract or otherwise.

"COUNSEL FOR BUYER" means Davies Ward Phillips & Vineberg LLP.

"COUNSEL FOR SELLER" means a corporate counsel of Seller.

"CUT-OFF BALANCE SHEET" has the meaning assigned in Section 2.3 (b).

"CUT-OFF NET ASSET VALUE" has the meaning assigned in Section 2.3(b).

"EFFECTIVE TIME" means 11:59 pm (Eastern Standard Time) on the Closing Date.

"ENCUMBRANCE" means any lien, claim, charge, security interest, mortgage, pledge, easement, conditional sale or other title retention agreement, covenant or other similar restrictions or third party rights affecting the Purchased Assets other than Permitted Encumbrances.

"ENVIRONMENTAL LAW" means any local, county, state or federal Law that governs the existence of or provides a remedy for release of Hazardous Substances, the protection of

- 3 -

#### LUCENT TECHNOLOGIES/CELESTICA

persons, natural resources or the environment, the management of Hazardous Substances, or other activities involving Hazardous Substances including, without limitation, under CERCLA, the Resources Conservation and Recovery Act, the Clean Water Act, the Clean Air Act or any other similar federal, state, local or county Laws and occupational, health and safety Laws.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"EXCLUDED ASSETS" means the properties and assets of the Business excluded from the Purchased Assets by Section 2.2.

"EXCLUDED CONTRACTS" means those Contracts (i) identified in SCHEDULE 2.2(f), (ii) under which performance by Seller or an Affiliate has been completed and for which there is no remaining warranty, maintenance, or support obligation, (iii) relating to any General Purchase Agreement, and (iv) relating to Excluded Assets or Excluded Liabilities.

"EXCLUDED LEASED EQUIPMENT" has the meaning assigned in Section 5.5(b).

"EXCLUDED LIABILITIES" means the liabilities and obligations that are not assumed by Buyer as provided in Section 2.5.

"FINAL NET ASSET VALUE" has the meaning assigned in Section 2.3(c)

"FINANCIAL STATEMENTS" has the meaning assigned in Section 3.11(a).

"FIXTURES AND SUPPLIES" means all furniture, furnishings and other tangible personal property owned by Seller and used or held for use primarily in the conduct of the Business and located on the Premises, including desks, tables, chairs, file cabinets and other storage devices and office supplies but excluding any such items related to Excluded Assets or Excluded Liabilities.

"GENERAL PURCHASE AGREEMENTS" shall mean Third-Party supply contracts or other agreements between Seller or its Affiliates and a Third Party pursuant to which Seller or its Affiliates purchase products or services from such Third-Party for any of Seller's or its Affiliates businesses other than solely for the Business.

"GOVERNMENTAL BODY" means any legislative, executive or judicial unit of any governmental entity (foreign, federal, state or local) or any department, commission, board, agency, bureau, official or other regulatory, administrative or judicial authority thereof.

"GOVERNMENTAL PERMITS" means all governmental permits and licenses, certificates of inspection, registrations, approvals or other authorizations issued to Seller with respect to the Business or the Premises or necessary for the operation of the Business or the Premises as currently conducted under applicable Laws.

- 4 -

LUCENT TECHNOLOGIES/CELESTICA

"HAZARDOUS SUBSTANCE" means any substance that is regulated under any Environmental Law or is deemed by any Environmental Law to be "hazardous", "toxic", a "contaminant", a "waste" or a "pollutant".

"HSR ACT" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"INDEMNIFIED PARTY" has the meaning assigned in Section 9.3(a).

"INDEMNIFYING PARTY" has the meaning assigned in Section 9.4(a).

"INITIAL BALANCE SHEET" has the meaning assigned in Section 3.11(a).

"INITIALLY TRANSFERRED EMPLOYEES" has the meaning assigned in Section 5.4(a).

"INTELLECTUAL PROPERTY AGREEMENT" means the agreement in substantially the form set forth as EXHIBIT C.

"INVENTORY" means all inventory, wherever located, including raw materials, work in process, recycled materials, repair material, finished products (to the extent that such finished products can be utilized with additional added value in the production of orderable items), inventoriable supplies, and non-capital spare parts owned by Seller and used or held for use primarily in the conduct of the Business, and any rights of Seller to the warranties received from suppliers and any related claims, credits, rights of recovery and setoff with respect to such Inventory, but only to the extent such rights are assignable, but excluding any inventory related to Excluded Assets or Excluded Liabilities.

"IRS" means the U.S. Internal Revenue Service.

"LAWS" shall mean any applicable national, foreign, federal, state, provincial or local law, statute, ordinance, rule, regulation, code, order, judgment, injunction or decree of any Governmental Body.

"LEASE" means the lease to be entered into between Seller and Buyer relating to a portion of the Premises in substantially the form set forth as EXHIBIT D.

"LEASED EQUIPMENT" means the computers, servers, machinery and equipment and other similar items leased and used by Seller primarily in the conduct of the Business but excluding any such items related to Excluded Assets or Excluded Liabilities.

"LICENSED INTELLECTUAL PROPERTY" means the Proprietary Information of Seller licensed to Buyer or any of Buyer's Affiliates pursuant to, and as specifically identified and set forth in, the Intellectual Property Agreement or the Supply Agreement.

"LICENSES" means all licenses, agreements and other arrangements identified on SCHEDULE 2.1(g) under which Seller has the right to use any Proprietary Information of a Third Party to the extent used or held for use primarily in the conduct of the Business but not

- 5 -

LUCENT TECHNOLOGIES/CELESTICA

the Nonassignable Licenses or any such items related to Excluded Assets or Excluded Liabilities.

"LOSSES" has the meaning assigned in Section 9.3(a).

"LSP" has the meaning assigned in Section 5.4(e).

"LTSSP" has the meaning assigned in Section 5.4(e).

"LUCENT" has the meaning assigned in the preamble hereof.

"BUSINESS SERVICES AGREEMENT" means the management and labor services agreement entered into by Seller and Buyer pursuant to Section 5.14 hereof.

"MATERIAL ADVERSE EFFECT" means any condition or event that has a material and adverse effect upon the financial condition or results of operations of the Business taken as a whole, other than any condition or event arising out of or resulting from actions of Buyer in connection with this Agreement.

"MATERIAL CONTRACTS" has the meaning assigned in Section 3.9.

"MATERIAL UNCERTAINTY" has the meaning assigned in Section 2.3(b).

"NET ASSET VALUE" means the sum of the value of the Inventory (valued at net book value) plus the value of the Principal Equipment, the Fixtures and Supplies, and the Premises (each valued at net book value) less the value of the Assumed Liabilities referred to in Section 2.4, that are reflected specifically on the Initial Balance Sheet, the Cut-Off Balance Sheet or the Closing Balance Sheet, as applicable.

"NONASSIGNABLE ASSETS" has the meaning assigned in Section 2.6(b).

"NONASSIGNABLE LICENSES" means those licenses of third party Proprietary Information to which Seller or one of its Affiliates is the licensee that are (i) not by their terms assignable to Buyer, or (ii) related to other businesses of Seller or one of its Affiliates and not primarily to the Business, or (iii) licenses under any patent of any third party.

"NON-REPRESENTED EMPLOYEES" shall mean the non-represented employees of the Business employed at the Premises. Such Non-Represented Employees who accept Buyer's offer of employment in accordance with Section 5.4(a), as of the effective date of their employment with Buyer, shall be referred to as "Transferred Non-Represented Employees".

"OKLAHOMA CITY APA" means the Asset Purchase Agreement dated as of the date hereof between Seller and Buyer relating to the sale of Seller's manufacturing facility in Oklahoma City, Oklahoma.

"PENSION PLAN" has the meaning assigned in Section 3.8(b).

- 6 -

LUCENT TECHNOLOGIES/CELESTICA

"PERMITTED ENCUMBRANCES" means any (i) liens for Taxes, assessments and other governmental charges or of landlords, liens of carriers, warehouseman, mechanics and material men incurred in the ordinary course of business, in each

case for sums not yet due and payable or due but not delinquent or being contested in good faith by appropriate proceedings, (ii) liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases government contracts, performance and return of money bonds and similar obligations; provided that such liens are related to obligations which are not due or delinquent, are not registered as Encumbrances against title to any of the Purchased Assets and adequate holdbacks are being maintained as required by applicable legislation, (iii) purchase money liens, arising in the ordinary course of business and limited to the property acquired (iv) licenses granted by Seller or an Affiliate in connection with sales of products in the ordinary course of business which do not in the aggregate materially detract from the value of the Purchased Assets or materially interfere with the use thereof in the operation of the Business, and (v) any Encumbrance or minor imperfection in title and minor encroachments, if any, not material in amount that, individually or in the aggregate, do not materially interfere with the conduct of the Business or with the use of the Purchased Assets and do not materially affect the value of the Purchased Assets.

"PERSON" means any individual, corporation, partnership, firm, association, joint venture, joint stock company, trust, unincorporated organization or other entity, or any government or regulatory, administrative or political subdivision or agency, department or instrumentality thereof.

"PREMISES" means the real property that is owned and used by Seller primarily in the conduct of the Business identified on SCHEDULE 3.6(a).

"PRINCIPAL EQUIPMENT" means the computers, servers, machinery and equipment and other similar items used by Seller primarily in the conduct of the Business (including, without limitation, all items which are identified in SCHEDULE 1.1(d)) but not the Leased Equipment or any such items related to Excluded Assets or Excluded Liabilities. Principal Equipment includes rights to the warranties received from the manufacturers and distributors of said items and to any related claims, credits, rights of recovery and setoff with respect to said items, but only to the extent such rights are assignable.

"PROPRIETARY INFORMATION" means industrial and intellectual property under the laws of the United States, Canada and other jurisdictions, including all: (i) trade secrets, confidential information and confidential know-how, including all unpatented inventions, customer and supplier lists, formulae, systems, methodologies, ideas, concepts, processes, documents, works, designs, prototypes, materials, technologies, inventor's notes, blueprints, unpublished studies and data, libraries, research designs, research results and notes, prototypes, drawings, design and construction specifications, production, operating and quality control manuals, technical manuals, marketing strategies, and current or proposed business opportunities; (ii) copyrights and all waivers of moral rights associated with copyrights, including all copyrights and moral rights in software, and also rights to graphic design and user interface

- 7 -

#### LUCENT TECHNOLOGIES/CELESTICA

elements and "look and feel", and databases; (iii) industrial designs, design patents and other designs; (iv) mask works and integrated circuit topographies; (v) patents; (vi) registered and unregistered trade-marks, service marks, sound marks, trade names, brand names, trade dress, indicia, distinguishing guises, logos, insignia, designs, business names, domain names, Internet protocol addresses and classes of Internet protocol addresses, any other source or business identifiers and fictitious characters, and all goodwill associated with the foregoing; and all registrations, applications for registration, reissues, extensions, renewals, divisions, continuations and continuations-in-part relating to the foregoing.

"PURCHASE PRICE" has the meaning assigned in Section 2.3(a).

"PURCHASED ASSETS" has the meaning assigned in Section 2.1.

"PURCHASED INVENTORY" means Inventory which is required by Buyer for the performance of Buyer's obligations under the Supply Agreement for a period of twelve (12) months following the Closing Date and which is supported by



Seller's projected demand as of the date hereof for the twelve (12) month period following the Closing Date.

"PURCHASED LEASED EQUIPMENT" has the meaning assigned in Section 5.5(b).

"REAL ESTATE DEED" means the deed with respect to Premises in substantially the form set forth on EXHIBIT E.

"REASONABLE COMMERCIAL EFFORTS" means that the obligated party is required to make a diligent, reasonable and good faith effort to accomplish the applicable objective. Such obligation, however, does not require an expenditure of funds or the incurrence of a liability on the part of the obligated party, nor does it require that the obligated party act in a manner that would be contrary to normal commercial practices in order to accomplish the objective. The fact that the objective is or is not actually accomplished is no indication that the obligated party did or did not in fact utilize its reasonable commercial efforts in attempting to accomplish the objective.

"REPRESENTED EMPLOYEES" shall mean the employees of the Business represented by the Union and employed at the Premises. Such Represented Employees who accept Buyer's offer of employment in accordance with Section 5.4(a), as of the effective date of their employment with Buyer, shall be referred to as "TRANSFERRED REPRESENTED EMPLOYEES".

"REQUIRED CONSENT" has the meaning assigned in Section 3.3(b).

"SELLER" has the meaning assigned in the preamble hereof.

"SUBSEQUENTLY TRANSFERRED EMPLOYEES" has the meaning assigned in Section 5.4(a).

"SUBSIDIARY" means (a) any corporation in an unbroken chain of corporations beginning with Seller, if each of the corporations other than the last corporation in the unbroken chain then owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain, (b) any partnership in

- 8 -

LUCENT TECHNOLOGIES/CELESTICA

which Seller is a general partner or (c) any partnership, corporation, limited liability company or similar entity that Seller controls, through the ownership of interests or otherwise.

"SUPPLY AGREEMENT" means the agreement in substantially the form set forth as Exhibit F.

"TAXES" means all taxes of any kind, charges, fees, customs, levies, duties, imposts, required deposits or other assessments, including, without limitation, all net income, capital gains, gross income, gross receipt, property, franchise, sales, use, excise, withholding, payroll, employment, social security, worker's compensation, unemployment, occupation, capital stock, ad valorem, value added, transfer, gains, profits, net worth, asset, transaction, taxes, and other taxes and interest, penalties, or additions to tax with respect thereto imposed upon any Person by any Governmental Body under applicable Law.

"THIRD PARTY" means any Person not an Affiliate of the other referenced Person or Persons.

"THIRD-PARTY CLAIM" has the meaning assigned in Section 9.4(a).

"TRANSFER DATE" has the meaning assigned in Section 5.4(a).

"TRANSFERRED EMPLOYEES" shall mean the Transferred Non-Represented Employees and the Transferred Represented Employees.

"TRANSITION SERVICES AGREEMENT" means the agreement in substantially the form set forth as EXHIBIT G.

"UNION" shall mean the International Brotherhood of Electrical Workers and the Security, Police, and Fire Professionals of America.

## 1.2 OTHER DEFINITIONAL AND INTERPRETIVE MATTERS

Unless otherwise expressly provided, for purposes of this Agreement, the following rules of interpretation shall apply:

CALCULATION OF TIME PERIOD. When calculating the period of time before which, within which or following which any act is to be done or step taken pursuant to this Agreement, the date that is the reference date in calculating such period shall be excluded. If the last day of such period is a non-Business Day, the period in question shall end on the next succeeding Business Day.

GENDER AND NUMBER. Any reference in this Agreement to gender shall include all genders, and words imparting the singular number only shall include the plural and vice versa.

HEADINGS. The provision of a Table of Contents, the division of this Agreement into Articles, Sections and other subdivisions and the insertion of headings are for convenience of

- 9 -

## LUCENT TECHNOLOGIES/CELESTICA

reference only and shall not affect or be utilized in construing or interpreting this Agreement. All references in this Agreement to any "Section" are to the corresponding Section of this Agreement unless otherwise specified.

HEREIN. The words such as "HEREIN," "HEREINAFTER," "HEREOF," and "HEREUNDER" refer to this Agreement as a whole and not merely to a subdivision in which such words appear unless the context otherwise requires.

INCLUDING. The word "INCLUDING" or any variation thereof means "INCLUDING, WITHOUT LIMITATION" and shall not be construed to limit any general statement that it follows to the specific or similar items or matters immediately following it.

KNOWLEDGE. Where any matter is stated to be within Seller's knowledge in this Agreement, Seller shall be deemed for purposes of this Agreement to have the knowledge of the relevant facts that a senior manager of Seller with responsibility for the relevant matter would reasonably have after due inquiry.

SCHEDULES AND EXHIBITS. The Schedules and Exhibits attached to this Agreement shall be construed with and as an integral part of this Agreement to the same extent as if the same had been set forth verbatim herein.

## 2. PURCHASE AND SALE OF THE BUSINESS

### 2.1 PURCHASE AND SALE OF ASSETS

Upon the terms and subject to the conditions of this Agreement and in reliance on the representations and warranties contained herein, on the Closing Date, Seller shall grant, bargain, sell, transfer, assign, convey and deliver to Buyer, and Buyer shall purchase, acquire and accept from Seller, all of the right, title and interest in, to and under the Purchased Assets that Seller possesses and has the right to transfer as the same shall exist on the Closing Date. For purposes of this Agreement, "PURCHASED ASSETS" shall mean all the assets, properties and rights used by Seller, whether tangible or intangible, real, personal or mixed, set forth or described in Sections 2.1(a) through 2.1(i), inclusive (except in each case for the Excluded Assets), whether or not any of such assets, properties or rights have any value for accounting purposes or are carried or reflected on or specifically referred to in Seller's financial statements:

- (a) the Premises;
- (b) the Principal Equipment and the Purchased Leased Equipment;
- (c) the Fixtures and Supplies;

- (d) the Purchased Inventory;

- 10 -

LUCENT TECHNOLOGIES/CELESTICA

- (e) the license grant to the Licensed Intellectual Property (but only to the extent specifically set forth in the Intellectual Property Agreement or the Supply Agreement);
- (f) the Contracts;
- (g) the Licenses;
- (h) the Business Records; and
- (i) the Governmental Permits that are identified on SCHEDULE 2.1(i) but only to the extent that such Governmental Permits are assignable or transferable to Buyer and not to the extent that Buyer directs in writing Seller not to assign or transfer the same (which Buyer agrees to do to the extent such Governmental Permits are not required by Buyer by law).

2.2 EXCLUDED ASSETS

Notwithstanding the provisions of Section 2.1, it is hereby expressly acknowledged and agreed that the Purchased Assets shall not include, and Seller is not selling, transferring, assigning, conveying or delivering to Buyer, and Buyer is not purchasing, acquiring or accepting from Seller, the following (the rights, properties and assets expressly excluded by this Section 2.2 or otherwise excluded by the terms of Section 2.1 from the Purchased Assets being referred to herein as the "EXCLUDED ASSETS"):

- (a) any of Seller's or any of its Affiliate's receivables, cash, bank deposits or similar cash items or employee receivables;
- (b) any Proprietary Information owned by Seller or any Affiliate as of the Closing Date other than certain specified rights in the Licensed Intellectual Property as expressly provided under the Intellectual Property Agreement or the Supply Agreement;
- (c) any (i) confidential personnel records and medical records (other than medical records relating to occupational health and safety requirements and training records relating to the Business Employees), subject to Section 2.6(a) below, pertaining to any Business Employee; (ii) other books and records that Seller or any Affiliate is required by Law to retain or that Seller determines are necessary or advisable to retain; PROVIDED, HOWEVER, that Buyer shall have the right to make copies of any portions of such retained books and records that relate to the Business or any of the Purchased Assets; and (iii) any information management system of Seller or any Affiliate other than those used primarily in the conduct of the Business and contained within computer hardware included as a Purchased Asset pursuant to Section 2.1;
- (d) any claim, right or interest of Seller or any Affiliate in or to any refund, rebate, abatement or other recovery for Taxes, together with any interest due

- 11 -

LUCENT TECHNOLOGIES/CELESTICA

thereon or penalty rebate arising therefrom, for any periods prior to the Closing Date;

- (e) all "Lucent Technologies" marked sales and marketing or

packaging materials, samples, prototypes, other similar Lucent Technologies identified sales and marketing or packaging materials and any marketing studies;

- (f) the Excluded Contracts and the Nonassignable Licenses;
- (g) any insurance policies or rights of proceeds thereof;
- (h) the Excluded Leased Equipment;
- (i) the property or assets specifically identified on SCHEDULE 2.2(i);
- (j) any of Seller's or any Affiliate's rights, claims or causes of action against Third Parties relating to the assets, properties, business or operations of Seller or any Affiliate arising out of transactions occurring prior to, and including, the Closing Date; and
- (k) all other assets, properties, interests and rights of Seller or any Affiliate not related primarily to the Business.

## 2.3 PURCHASE PRICE

(a) In consideration of the sale, transfer, assignment, conveyance and delivery by Seller of the Purchased Assets (other than the license grant of Licensed Intellectual Property referred to in Section 2.1(e)) to Buyer, and in addition to assuming the Assumed Liabilities, Buyer shall pay to Seller at the Closing, \$201,300,000 (as may be adjusted in accordance with this Section 2.3) (the "PURCHASE PRICE"). The payment to be made by Buyer to Seller in respect of the Purchase Price on the Closing Date shall be made in cash by wire transfer of immediately available funds to an account designated by Seller's written instructions to Buyer at least two (2) Business Days prior to Closing, prior to the Closing Date. In addition to the foregoing, the Buyer shall pay to the Seller at the Closing \$44,260,000 of the payment made for the license grant of Licensed Intellectual Property pursuant to Section 6.01 of the Intellectual Property Agreement.

(b) On the date which is five (5) Business Days prior to the Closing Date (the "Cut-Off Date"), Seller shall prepare and deliver to Buyer an unaudited balance sheet of the Business as of the Cut-off Date substantially in the form of the Initial Balance Sheet (the "CUT-OFF BALANCE SHEET"). Seller agrees to deliver to Buyer all drafts of the Cut-Off Balance Sheet prepared by Seller from and after the date hereof and prior to and in connection with the preparation of the final Cut-Off Balance Sheet. Buyer shall be given full access to the relevant records and working papers used by Seller to prepare the Cut-Off Balance Sheet and Seller and Buyer shall jointly conduct a physical inventory of the Principal Equipment and the Purchased Inventory prior to and in connection with the preparation of the Cut-Off Balance Sheet. Within two (2) Business Days of the last to occur of the following: (i)

- 12 -

## LUCENT TECHNOLOGIES/CELESTICA

receipt of the Cut-Off Balance Sheet, (ii) full access to the relevant records and working papers and (iii) the conduct of the physical inventory of the Principal Equipment and the Purchased Inventory, Buyer shall advise Seller whether it believes that the Cut-Off Balance Sheet materially reflects the balance sheet of the Business as of the Cut-Off Date. In the event Buyer agrees with the Cut-Off Balance Sheet, the Purchase Price shall be adjusted to reflect the Net Asset Value as reflected on the Cut-Off Balance Sheet (the "CUT-OFF NET ASSET VALUE"). In the event Buyer disagrees with the Cut-Off Balance Sheet, the parties shall use their respective best good faith efforts to resolve such disagreement within five (5) days of receipt by Buyer of the Cut-Off Balance Sheet; PROVIDED, HOWEVER, that if the parties cannot come to an agreement within such five (5) day period, then on the Closing Date the Purchase Price shall be adjusted to reflect the Cut-Off Net Asset Value.

(c) In the event that the parties cannot agree on the Cut-Off Net Asset Value by the Closing Date, Buyer shall, within forty-five (45) days following the Closing Date, give written notice to Seller of any proposed changes to be

made to the Cut-Off Balance Sheet or of its inability to confirm whether such balance sheet has been prepared in a manner consistent with the preparation of the Initial Balance Sheet (a "MATERIAL UNCERTAINTY"), describing the change or Material Uncertainty and the basis for the change or Material Uncertainty in reasonable detail. Failure to so notify Seller shall constitute acceptance and approval of the Cut-Off Balance Sheet. If Seller agrees that a proposed change is appropriate, the change shall be made to the Cut-Off Balance Sheet. If Seller does not agree that any proposed change is appropriate, and Buyer and Seller cannot agree on the treatment of the proposed change, the Seller and Buyer shall select an auditor from a national certified public accounting firm, other than the Seller's or the Buyer's external auditors, who shall decide if the change is appropriate, and the Cut-Off Balance Sheet will be adjusted in accordance with such auditor's decision. The balance sheet so adjusted shall be referred to as the "CLOSING BALANCE SHEET." Buyer and Seller shall each pay one-half of the reasonable fee charged by such auditor.

(d) The Closing Balance Sheet shall include a calculation of the Net Asset Value of the Business as of the Closing Date (such amount as set forth in the Closing Balance Sheet, the "FINAL NET ASSET VALUE"). If the Cut-Off Net Asset Value is less than the Final Net Asset Value by an amount in excess of \$1 million, Buyer shall pay the amount by which the Final Net Asset Value exceeds the Cut-Off Net Asset Value to Seller, and if the Cut-Off Net Asset Value is greater than the Final Net Asset Value by an amount in excess of \$1 million, Seller shall pay the amount by which the Cut-Off Net Asset Value exceeds the Final Net Asset Value to Buyer. Any such payment shall be made on or before fifty (50) calendar days after the Closing Date, and any such payment shall be considered an addition or reduction, as applicable, to the Purchase Price.

#### 2.4 ASSUMED LIABILITIES

On the Closing Date, Buyer shall execute and deliver to Seller the one or more Assumption Agreements pursuant to which Buyer shall accept, assume and agree to pay, perform or otherwise discharge, in accordance with the respective terms and subject to the respective conditions thereof, the liabilities and obligations of Seller pursuant to and under

- 13 -

#### LUCENT TECHNOLOGIES/CELESTICA

the Assumed Liabilities. "ASSUMED LIABILITIES" shall mean all liabilities and obligations set forth in this Section 2.4, whether or not any such obligation has a value for accounting purposes or is carried or reflected on or specifically referred to in either Seller's books or financial statements:

- (a) the amount owed to Initially Transferred Employees in respect of the accrued but unused vacation of such Initially Transferred Employees assumed by Buyer in accordance with Section 5.4(g);
- (b) the liabilities and obligations arising on or after the Closing Date under the transferred Contracts, Licenses and Government Permits;
- (c) the Permitted Encumbrances; and
- (d) the obligations and liabilities with respect to the Business or the Purchased Assets, known or unknown, absolute or contingent, arising on or after the Closing Date, and the obligations and liabilities with respect to the Transferred Employees arising on or after their Transfer Date, in each case known or unknown, absolute or contingent.

#### 2.5 EXCLUDED LIABILITIES

Buyer shall not assume or be obligated to pay, perform or otherwise assume or discharge any liabilities or obligations of Seller or any of its Affiliates, whether direct or indirect, known or unknown, absolute or contingent, except for the Assumed Liabilities (all of such liabilities and obligations not so assumed being referred to herein as the "EXCLUDED LIABILITIES").

2.6 FURTHER ASSURANCES; FURTHER CONVEYANCES AND ASSUMPTIONS; CONSENT OF  
THIRD PARTIES

(a) From time to time following the Closing, Seller hereby agrees to make available, or to cause its Affiliates to make available, to Buyer non-confidential data in personnel records of Transferred Employees as is reasonably necessary for Buyer to transition such employees into Buyer's records.

(b) From time to time following the Closing, Seller and Buyer shall, and shall cause their respective Affiliates to, execute, acknowledge and deliver all such further conveyances, notices, assumptions, releases and acquittances and such other instruments, and shall take such further actions, as may be necessary or appropriate to assure fully to Buyer and its respective successors or assigns, all of the properties, rights, titles, interests, estates, remedies, powers and privileges intended to be conveyed to Buyer under this Agreement and the Collateral Agreements and to assure fully to Seller and its Affiliates and their successors and assigns, the assumption of the liabilities and obligations intended to be assumed by Buyer under this Agreement and the Collateral Agreements, and to otherwise make effective the transactions contemplated hereby and thereby.

- 14 -

LUCENT TECHNOLOGIES/CELESTICA

(c) Nothing in this Agreement nor the consummation of the transactions contemplated hereby shall be construed as an attempt or agreement to assign any Purchased Asset, including any Contract, License, Governmental Permit, certificate, approval, authorization or other right, which by its terms or by Law is nonassignable without the consent of a Third Party or a Governmental Body or is cancellable by a Third Party in the event of an assignment ("NONASSIGNABLE ASSETS") unless and until such consents shall be given. Seller agrees, and agrees to cause its Affiliates, to cooperate with Buyer at its request to use reasonable commercial efforts to obtain such consents promptly; PROVIDED, HOWEVER, that such cooperation shall not require Seller or any of its Affiliates to remain secondarily liable or to make any payment to obtain any such consent with respect to any Nonassignable Asset.

(d) Buyer and Seller agree to use their respective reasonable commercial efforts to obtain, or to cause to be obtained, any consent, substitution, approval, or amendment required to novate all obligations under any and all Contracts or other obligations or liabilities that constitute Assumed Liabilities or to obtain in writing the unconditional release of Seller and its Affiliates so that, in any such case, Buyer and its Affiliates shall be solely responsible for such liabilities and obligations. To the extent permitted by applicable Law, in the event consents to the assignment thereof cannot be obtained, such Nonassignable Assets shall be held, as and from the Closing Date, by Seller or its Affiliates in trust for Buyer and the covenants and obligations thereunder shall be performed by Buyer in Seller's or one of its Affiliate's name and all benefits and obligations existing thereunder shall be for Buyer's account. Seller shall take or cause to be taken at Buyer's expense such action in its name or otherwise as Buyer may reasonably request so as to provide Buyer with the benefits of the Nonassignable Assets and to effect collection of money or other consideration to become due and payable under the Nonassignable Assets, and Seller or its Affiliates shall promptly pay over to Buyer all money or other consideration received by it in respect to all Nonassignable Assets.

(e) As of and from the Closing Date, Seller on behalf of itself and its Affiliates authorizes Buyer, to the extent permitted by applicable Law and the terms of the Nonassignable Assets, at Buyer's expense, to perform all the obligations and receive all the benefits of Seller or its Affiliates under the Nonassignable Assets and appoints Buyer its attorney-in-fact to act in its name on its behalf or in the name of the applicable Affiliate of Seller and on such Affiliate's behalf with respect thereto.

2.7 NO LICENSES

Unless expressly set forth in the Intellectual Property Agreement or the Supply Agreement, no title, right or license of any kind is granted to Buyer

pursuant to this Agreement with respect to Seller's or any of its Affiliate's Proprietary Information, either directly or indirectly, by implication, by estoppel or otherwise.

## 2.8 BULK SALES LAW

Buyer hereby waives compliance by Seller with the requirements and provisions of any "bulk-transfer" Laws of any jurisdiction, including Article 6 of the New York

- 15 -

## LUCENT TECHNOLOGIES/CELESTICA

Commercial Code, that may otherwise be applicable with respect to the sale of any or all of the Purchased Assets to Buyer.

## 2.9 TAXES

(a) Buyer shall pay all applicable Taxes and all recording and filing fees that may be imposed, assessed or payable by reason of the operation or as a result of this Agreement including the sales, transfers, leases, rentals, licenses, and assignments contemplated hereby, except for Seller's net income and capital gains taxes or franchise or other taxes based on Seller's net income.

(b) Buyer shall be responsible for all Taxes attributable to, levied upon or incurred in connection with the Purchased Assets pertaining to the period (or that portion of the period) immediately beginning after the Closing Date. Seller shall be responsible for all Taxes attributable to, levied upon or incurred in connection with the Purchased Assets pertaining to the period (or that portion of the period) prior to or on the Closing Date.

## 2.10 INVENTORY PUT-BACK

In the event that any of the Purchased Inventory is not used by Buyer in the period commencing on the first Business Day following the Closing Date and ending on the first anniversary of the Closing Date to fulfill its obligations to Seller under the Supply Agreement (other than Purchased Inventory which has been or is required to be returned to or purchased by Seller pursuant to the Supply Agreement) ("REMAINING PURCHASED INVENTORY"), Buyer shall have the right to cause Seller to purchase up to ninety million dollars (US\$90,000,000) of the Remaining Purchased Inventory as specified below, upon providing Seller with a notice setting forth the amount of such Remaining Purchased Inventory and applicable purchase price. The purchase price of the Remaining Purchased Inventory shall be equal to the purchase price paid by Buyer to Seller for the Remaining Purchased Inventory hereunder, provided that the aggregate amount of the purchase price payable by Seller to Buyer for the Remaining Purchased Inventory under this Section 2.10 and Section 2.10 of the Oklahoma City APA shall not exceed ninety million dollars (US\$90,000,000). Seller shall pay the purchase price applicable to the Remaining Purchased Inventory no later than ten (10) Business Days following the receipt of the aforementioned notice.

## 3. REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants to Buyer that:

### 3.1 ORGANIZATION AND QUALIFICATION

Seller is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware and has all requisite corporate power and authority to carry on the Business as currently conducted and to own or lease and operate the Purchased Assets. Seller is duly qualified to do business and is in good standing as a foreign corporation (in any jurisdiction that recognizes such concept) in each jurisdiction where the ownership or operation of the Purchased Assets or the conduct of the Business requires such qualification,

- 16 -

except for failures to be so qualified or in good standing, as the case may be, that, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

3.2 AUTHORIZATION; BINDING EFFECT

(a) Seller has all requisite corporate power and authority to execute and deliver this Agreement and the Collateral Agreements to which it will be a party and to effect the transactions contemplated hereby and thereby and has duly authorized the execution, delivery and performance of this Agreement and the Collateral Agreements to which it will be a party by all requisite corporate action.

(b) This Agreement has been duly executed and delivered by Seller and this Agreement is, and the Collateral Agreements when duly executed and delivered by Seller will be, valid and legally binding obligations of Seller, enforceable against it in accordance with their respective terms, except to the extent that enforcement of the rights and remedies created hereby and thereby may be affected by bankruptcy, reorganization, moratorium, insolvency and similar Laws of general application affecting the rights and remedies of creditors and by general equity principles.

3.3 NON-CONTRAVENTION; CONSENTS

(a) Assuming that all Required Consents listed in SCHEDULE 3.3(b) have been obtained, the execution, delivery and performance of this Agreement by Seller and the Collateral Agreements by Seller and the consummation of the transactions contemplated hereby and thereby do not and will not: (i) result in a breach or violation of any provision of Seller's charter or by-laws (ii) violate or result in a breach of or constitute an occurrence of default under any provision of, result in the acceleration or cancellation of any obligation under, or give rise to a right by any party to terminate or amend its obligations under, any mortgage, deed of trust, conveyance to secure debt, note, loan, indenture, lien, lease, license agreement, instrument, order, judgment, decree or other arrangement or commitment to which Seller is a party or by which it is bound and which relates to the Business or the Purchased Assets, which violation, breach or default, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect or (iii) violate any order, judgment, decree, rule or regulation of any court or any Governmental Body having jurisdiction over Seller or the Purchased Assets, and which violation, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(b) No consent, approval, order or authorization of, or registration, declaration or filing with, any Person is required to be obtained by Seller in connection with the execution and delivery of this Agreement and the Collateral Agreements to which Seller will be a party or for the consummation of the transactions contemplated hereby or thereby by Seller, except for (i) any filings required to be made under the HSR Act and any applicable filings required under foreign antitrust Laws, (ii) consents or approvals of Third Parties that are required to transfer or assign to Buyer any Purchased Assets which are material to the Business or assign the benefits of or delegate performance with regard thereto as identified on SCHEDULE 2.1(f) and SCHEDULE 3.9, (iii) those set forth in SCHEDULE 3.3(b) (items (i), (ii) and (iii) being referred

- 17 -

to herein as the "REQUIRED CONSENTS"), and (iv) such consents, approvals, orders, authorizations, registrations, declarations or filings where failure of compliance, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

3.4 TITLE TO PROPERTY; PRINCIPAL EQUIPMENT; SUFFICIENCY OF ASSETS

(a) Seller has and at the Closing will have good and valid title to,



or a valid and binding leasehold interest or license in, all real and personal tangible Purchased Assets free and clear of any Encumbrance except for Permitted Encumbrances.

(b) Each material item of Principal Equipment is in reasonable operating condition, in light of its respective age, for the purposes for which it is currently being used, but is otherwise being transferred on a "where is" and, as to condition, "as is" basis.

(c) Except for (i) the assets that will be used in connection with providing services under the Transition Services Agreement, and (ii) the Excluded Assets, the Purchased Assets and the Business Employees and the rights to be acquired under this Agreement and the Collateral Agreements (including the services to be provided pursuant to the Transition Services Agreement) constitute all assets, personnel and rights that are used in and are necessary to conduct the Business as currently conducted by Seller. In the event this Section 3.4(c) is breached because Seller has failed to identify, transfer or license any assets, properties or Proprietary Information or provide any services used in the Business, such breach shall be deemed cured if Seller promptly transfers such properties or assets, licenses such Proprietary Information or provides such services to Buyer, and Buyer shall have no further remedy with respect thereto other than with respect to losses that arise prior to such transfer, license or provision of services.

### 3.5 PERMITS, LICENSES

(a) Except as set forth on SCHEDULE 2.1(i), there are no material Governmental Permits necessary for or used by Seller to operate the Business as now being operated or to use or occupy the Premises, which Governmental Permits are required by currently effective Laws.

(b) Each Governmental Permit identified on SCHEDULE 2.1(i) is valid and in full force and effect, and Seller is not in default or breach thereof other than any such default or breach which, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. To Seller's knowledge, no proceeding is pending or threatened to revoke or limit any such Governmental Permit. Seller has provided to Buyer a true and complete copy of each such Governmental Permit, including all amendments thereto.

### 3.6 REAL ESTATE

(a) SCHEDULE 3.6(a) contains a complete and accurate list of the Premises. Seller has good and valid title to the Premises. Except as set forth on SCHEDULE 3.6(a), none of such Premises are subject to any Encumbrance except for Permitted Encumbrances.

- 18 -

LUCENT TECHNOLOGIES/CELESTICA

(b) To Seller's knowledge, except as disclosed in SCHEDULE 3.6(b), all buildings, structures, improvements and appurtenances situated on the Premises are in reasonably good operating condition and in a state of reasonably good maintenance and repair and are adequate and suitable in all material respects for the purposes for which they are currently being used, and Seller has adequate rights of ingress and egress for the operation of the Business in the ordinary course. To Seller's knowledge, except as disclosed in SCHEDULE 3.6(b), none of such buildings, structures, improvements or appurtenances (or any equipment thereon), nor the operation or maintenance thereof, violates any restrictive covenant or any provision of any applicable Law or encroaches on any property owned by any Third Party.

(c) To Seller's knowledge, except as disclosed in SCHEDULE 3.6(c):

- (i) no material alteration, repair, improvement or other work has been ordered, directed or requested in writing to be done or performed to or in respect of the Premises or to any of the plumbing, heating, elevating, water, drainage or electrical systems, fixtures or works by any Governmental Body, which material alteration, repair, improvement or other

work has not been completed, and to Seller's knowledge, written notification has not been given to it of any such outstanding work being ordered, directed or requested, other than those which have been complied with;

- (ii) all accounts for work and services performed and materials placed or furnished upon or in respect of the Premises at the request of Seller have been paid and satisfied in all material respects, and no Person is entitled to claim an Encumbrance against the Premises or any part thereof, other than for current accounts in respect of which the payment due date has not yet passed;
- (iii) there is nothing material owing in respect of the Premises by Seller to any Governmental Body or to any other entity owning or operating a public utility for water, gas, electrical power or energy, steam or hot water, or for the use thereof, other than current accounts in respect of which the payment due date has not yet passed; and
- (iv) no part of the Premises has been taken or expropriated by any Governmental Body, nor has any notice or proceeding in respect thereof been given or commenced.

### 3.7 COMPLIANCE WITH LAWS; LITIGATION

(a) Except as set forth on SCHEDULE 3.7(a), with respect to the Business conducted by it, Seller is in compliance in all material respects with all applicable Laws and all decrees, orders, judgments, permits and licenses of or from Governmental Bodies except for failures to comply that, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

- 19 -

### LUCENT TECHNOLOGIES/CELESTICA

(b) Except as set forth on SCHEDULE 3.7(b), there are no actions, suits, proceedings or governmental investigations pending or, to Seller's knowledge, threatened against it that, individually or in the aggregate, could be reasonably expected to have a Material Adverse Effect.

### 3.8 BUSINESS EMPLOYEES

(a) SCHEDULE 3.8(a) contains a complete and accurate list of all the Business Employees as of the date specified on such list, showing for each Business Employee the position held and aggregate annual compensation (including bonuses and commissions) for Seller's last fiscal year. Except as set forth on Schedule 3.8(a), none of the Business Employees is covered by any union, collective bargaining or other similar labor agreements. On or before the Transfer Date for each Subsequently Transferred Employee Seller shall provide Buyer with such Subsequently Transferred Employee's position held and aggregate annual compensation (including bonuses and commissions) for Seller's last fiscal year.

(b) Except as set forth in SCHEDULE 3.8(b), with respect to all Business Employees, Seller does not currently maintain, contribute to or have any liability under any Benefit Plan. With respect to each of the Benefit Plans identified on SCHEDULE 3.8(b), Seller has made available to Buyer true and complete copies of the most recent summary plan or other written description. Each Benefit Plan listed on SCHEDULE 3.8(b) has been operated in material compliance with applicable law, including ERISA. Each Benefit Plan which is an "employee pension benefit plan" within the meaning of Section 3(2) of ERISA ("PENSION PLAN") and which is intended to be qualified under Section 401(a) of the Code, has received a favorable determination letter from the Internal Revenue Service with respect to "TRA" (as defined in Section 1 of Rev. Proc. 93-39), and Seller is not aware of any circumstances likely to result in

revocation of any such favorable determination letter. Except as disclosed on SCHEDULE 3.8(b), Seller does not have any obligations for retiree health and life benefits under any Benefit Plan or has ever represented, promised or contracted (whether in oral or written form) to any employee(s) that such employee(s) would be provided with retiree health or life benefits.

(c) Except as disclosed in SCHEDULE 3.7(b), as relates to the Business, there is not presently pending or existing, and to Seller's knowledge there is not threatened, (i) any strike, slowdown, picketing, or work stoppage, (ii) any application for certification of a collective bargaining agent and (iii) any grievance proceeding threatened or initiated by the Represented Employees, which grievance proceeding could reasonably be expected to have a Material Adverse Effect on the Business or a material adverse effect on the operation of the Business after the Closing Date.

### 3.9 CONTRACTS

SCHEDULE 3.9 contains a complete and accurate list of all outstanding Contracts that would require over the full term thereof payments by or to Seller of more than \$250,000 (the "MATERIAL CONTRACTS"). Each of such Material Contracts is valid, binding and enforceable against Seller and, to Seller's knowledge, the other parties thereto in accordance with its terms and is in full force and effect. Except as set forth on SCHEDULE 3.9, Seller has

- 20 -

### LUCENT TECHNOLOGIES/CELESTICA

performed, in all material respects, all of the obligations required by it and is not in default or alleged to be in default in respect of, any Material Contract. Except as set forth on SCHEDULE 3.9, Seller has not received any notice that it is in default or breach of or is otherwise delinquent in performance under any such Material Contracts which default or breach could reasonably be expected to have a Material Adverse Effect, and, to Seller's knowledge, each of the other parties thereto has performed in all material respects all obligations required to be performed by it under, and is not in default in any material respect under, any of such Material Contracts and no event has occurred that, with notice or lapse of time, or both, would constitute such a default. Each of the outstanding Contracts that is (i) not a Material Contract and (ii) which would require over the full term thereof payments by or to Seller of more than \$20,000, is valid, binding and enforceable against Seller and, to Seller's knowledge, the other parties thereto in accordance with its terms, and is in full force and effect, in each case except where the failure of any such Contract to be valid, binding and enforceable or in full force and effect, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. For purposes of this Section 3.9 only (other than with respect to the first sentence of this Section 3.9), Material Contracts will also include such Licenses which would require over the full term thereof payments by or to Seller of more than \$250,000.

### 3.10 ENVIRONMENTAL MATTERS

Except as may be set forth in SCHEDULE 3.10 and in respect of the Business and the Purchased Assets:

- (a) the operations of the Business and the Premises comply in all material respects with all applicable Environmental Laws;
- (b) Seller has obtained all environmental, health and safety and other Environmental Law required Governmental Permits necessary for its operations, and all such Governmental Permits are in good standing and Seller is in compliance with all terms and conditions of such Governmental Permits except where the failure to obtain, maintain in good standing or be in compliance with, such Governmental Permits, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Affect;
- (c) neither the Business nor any of the Premises included in the Purchased Assets or the operations of the Business, is subject to any on-going investigation, of which Seller has been

notified, or other proceedings by, order from or agreement with any Person respecting (i) any Environmental Law, or (ii) any remedial action arising from the release or threatened release of a Hazardous Substance into the environment;

- (d) Seller, in respect of the Business, has filed all notices required to be filed under any Environmental Law indicating past or present treatment, storage or disposal of a Hazardous Substance or reporting a spill or release of a Hazardous Substance into the environment except where the failure to file any

- 21 -

#### LUCENT TECHNOLOGIES/CELESTICA

such notices could not reasonably be expected to have a Material Adverse Effect;

- (e) to Seller's knowledge, there are no aboveground or underground storage tanks on or in any Premises included in the Purchased Assets;
- (f) to Seller's knowledge, Seller has not received any written notice to the effect that it is or may be liable to any Person as a result of the release or threatened release of a Hazardous Substance; and
- (g) Seller has (i) delivered to Buyer true and complete copies of all material asbestos and other environmental and occupational health and safety reports and documents disclosing or relating to the presence of asbestos or other Hazardous Substances in, on, under or from the Premises and (ii) provided Buyer the opportunity to copy or inspect all material environmental and occupational health and safety reports and other documents pertaining to, and purporting to describe, environmental, health and safety matters with respect to the Business.

#### 3.11 FINANCIAL STATEMENT; ABSENCE OF CHANGES

(a) The unaudited balance sheet attached hereto as SCHEDULE 3.11 (the "Initial Balance Sheet") with respect to the Business fairly present in all material respects the material assets of the Business as of June 30, 2001 and has been prepared according to U.S. GAAP and is based on the internal accounting principles used historically by Seller. The statement of costs for fiscal 2000 contained in the Descriptive Memorandum, dated March 14, 2001, provided by Seller to Buyer in connection with the sale of the Business presents fairly in all material respects the costs incurred by the Business for the period referred to therein and has been prepared based on the internal accounting principles used historically by Seller.

(b) Except as set forth on SCHEDULE 3.11, since June 30, 2001, Seller has conducted and operated the Business in the ordinary course and the Business has not suffered any change that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Affect.

#### 3.12 INTELLECTUAL PROPERTY

(a) Seller or Lucent Technologies GRL Corporation ("Lucent GRL") owns or has a valid right to grant the licenses in all of the Licensed Intellectual Property.

(b) Except as set forth on SCHEDULE 3.12(b), no litigation has been instituted or is pending, or, to the knowledge of Seller's Intellectual Property Law Group, has been threatened in writing which challenge the rights of Seller or any Subsidiary in respect of the Licensed Intellectual Property, excluding immaterial assertions of rights which have not been presented in the form of a specific claim or demand, with respect to the operation of the Business by Seller or the Subsidiaries as of the date hereof with respect to the Purchased

LUCENT TECHNOLOGIES/CELESTICA

Assets. To the knowledge of Seller's Intellectual Property Law Group, SCHEDULE 3.12(b) sets forth a list of all notices or claims received by and suits or proceedings pending or, which have been threatened in writing against Seller, which notices, claims, suits or proceedings assert infringement or misappropriation of any intellectual property rights of a Third Party as a result of any activities of Seller at the Premises, excluding immaterial assertions of rights which have not been presented in the form of a specific claim or demand, with respect to the operation of the Business by Seller or the Subsidiaries as of the date hereof with respect to the Purchased Assets.

(c) At the Closing, Seller or Lucent GRL will provide, by licenses to Buyer and/or one or more of Buyer's Affiliates, in accordance with the Intellectual Property Agreement, all of the Proprietary Information owned by Seller or any of its Affiliates as of the Closing Date and which Seller or its Affiliates has a right to license which is necessary for Buyer or its Affiliates to manufacture, test, service and/or repair Lucent Products (as defined in the Intellectual Property Agreement) or is used in or necessary to conduct the Business as currently conducted by Seller. In the event this Section 3.12(c) is breached because Seller has failed to license any such Proprietary Information, such breach shall be deemed cured if Seller promptly licenses such Proprietary Information and Buyer shall have no further remedy with respect thereto other than with respect to losses that arise prior to such license. Notwithstanding the foregoing, under no circumstances shall Seller be required to grant to Buyer a license, right, or other permission to use the trademarks "Lucent," "Lucent Technologies," "Bell Labs" or the Lucent Innovation Ring logo.

3.13 BROKERS

Other than J.P. Morgan Securities Inc. and PricewaterhouseCoopers, the fees and expenses of which will be paid by Seller, no broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Seller or any Affiliate.

3.14 INVENTORY

The Inventory as reflected in the Initial Balance Sheet (i) is stated at book value, and (ii) is of quality and quantity usable or saleable in the ordinary course of the Business, except for obsolete items and items of below-standard quality that have been written down in the Initial Balance Sheet to net realizable values.

3.15 FULL DISCLOSURE

Neither this Agreement nor any document to be delivered by Seller nor any certificate, report, statement or other document furnished by Seller pursuant to the terms of this Agreement contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading.

LUCENT TECHNOLOGIES/CELESTICA

3.16 PROJECTIONS

Seller has delivered to Buyer the financial projections (which are attached hereto as SCHEDULE 3.16) (the "Projections"). The Projections were prepared by Seller for its internal use. Seller makes no representation or warranty regarding the accuracy of the Projections or whether such projected results may be achieved, but does represent and warrant to Buyer that the Projections were prepared in good faith based on assumptions believed by Seller to be reasonable based on Seller's current outlook for Seller's business for the period of time covered by the Projections.

3.17 NO OTHER REPRESENTATIONS OR WARRANTIES

Except for the representations and warranties contained in this Section 3, none of Seller, any Affiliate or any other Person makes any representations or warranties, and Seller hereby disclaims any other representations or warranties, whether made by Seller or any Affiliate, or any of their officers, directors, employees, agents or representatives, with respect to the execution and delivery of this Agreement or any Collateral Agreement, the transactions contemplated hereby or the Business, notwithstanding the delivery or disclosure to Purchaser or its representatives of any documentation or other information with respect to any one or more of the foregoing. Notwithstanding anything to the contrary herein, no representation or warranty contained in this Section 3 is intended to, or do, cover or otherwise pertain to any assets that are not included in the Purchased Asset or any liabilities that are not included in the Assumed Liabilities.

4. REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller that:

4.1 ORGANIZATION AND QUALIFICATION

Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and Buyer has all requisite corporate power and authority to carry on its business as currently conducted and to own or lease and operate its properties. Buyer is duly qualified to do business and is in good standing as a foreign corporation (in any jurisdiction that recognizes such concept) in each jurisdiction where the ownership or operation of its assets or the conduct of its business requires such qualification, except for failures to be so qualified or in good standing, as the case may be, that, individually or in the aggregate, could not reasonably be expected to have a material adverse effect on Buyer's business taken as a whole.

4.2 AUTHORIZATION; BINDING EFFECT

(a) Buyer has all requisite corporate power and authority to execute and deliver this Agreement and the Collateral Agreements to which it shall be a party and to effect the transactions contemplated hereby and thereby and has duly authorized the execution, delivery and performance of this Agreement and the Collateral Agreements to which it shall be a party by all requisite corporate action.

- 24 -

LUCENT TECHNOLOGIES/CELESTICA

(b) This Agreement has been duly executed and delivered by Buyer and this Agreement is, and the Collateral Agreements when duly executed and delivered by Buyer will be, valid and legally binding obligations of Buyer, enforceable against it in accordance with their terms, except to the extent that enforcement of the rights and remedies created hereby and thereby may be affected by bankruptcy, reorganization, moratorium, insolvency and similar Laws of general application affecting the rights and remedies of creditors and by general equity principles.

4.3 NO VIOLATIONS

(a) The execution, delivery and performance of this Agreement and the Collateral Agreements by Buyer and the consummation of the transactions contemplated hereby and thereby do not and will not (i) result in a breach or violation of any provision of Buyer's charter or by-laws, (ii) violate or result in a breach of or constitute an occurrence of default under any provision of, result in the acceleration or cancellation of any obligation under, or give rise to a right by any party to terminate or amend its obligations under, any material mortgage, deed of trust, conveyance to secure debt, note, loan, indenture, lien, lease, license, agreement, instrument, order, judgment, decree or other material arrangement or commitment to which Buyer is a party or by which it or its assets or properties are bound, or (iii) violate any material order, judgment, decree, rule or regulation of any court or any Governmental Body having jurisdiction over Buyer or any of its properties.

(b) Except as set forth on SCHEDULE 4.3(b), no consent, approval, order or authorization of, or registration, declaration or filing with, any Person is required to be obtained by Buyer in connection with the execution and delivery of this Agreement and the Collateral Agreements or the consummation of the transactions contemplated hereby or thereby other than (i) any filings required to be made under the HSR Act and any applicable filings required under foreign antitrust Laws, and (ii) such consents, approvals, orders, authorizations, registrations, declarations or filings where failure of compliance would not, individually or in the aggregate, could not reasonably be expected to have a material adverse effect on Buyer's ability to consummate the transactions contemplated hereby.

#### 4.4 BROKERS

No broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the transactions contemplated by this Agreement based on arrangements made by or on behalf of Buyer or an Affiliate.

#### 4.5 NO OTHER SELLER REPRESENTATIONS AND WARRANTIES

(a) With respect to the Purchased Assets, the Business, or any other rights or obligations to be transferred hereunder or under the Collateral Agreements or pursuant hereto or thereto, Buyer has not been induced by and has not relied upon any representations, warranties or statements, whether express or implied, made by Seller, any Affiliate, or any agent, employee, attorney or other representative of Seller or by any Person representing or purporting to represent Seller that are not expressly set forth in this Agreement or in the

- 25 -

LUCENT TECHNOLOGIES/CELESTICA

Collateral Agreements (including the Schedules and Exhibits hereto and thereto), whether or not any such representations, warranties or statements were made in writing or orally.

(b) Buyer acknowledges that it has made its own assessment of the future of the Business and is sufficiently experienced to make an informed judgment with respect thereto; provided that this shall not be construed in any way to mitigate or otherwise affect the representations and warranties made by Seller hereunder or under the Collateral Agreements or pursuant hereto or thereto, all of which shall continue to survive in full force and effect for the benefit of Buyer in accordance with the terms hereof and thereof. Buyer further acknowledges that, except as expressly set out in Section 3.16, neither Seller nor any Affiliate has made any warranty, express or implied, as to the future of the Business or its profitability for Buyer, or with respect to any forecasts, projections or business plans prepared by or on behalf of Seller and delivered to Buyer in connection with the Business and the negotiation and the execution of this Agreement.

(c) To the extent reasonably apparent from its context, disclosure by Seller on any one Schedule delivered pursuant to this Agreement following the date hereof and until the Closing Date in accordance with Section 5.12, shall be disclosure as to all such Schedules and, to the extent such disclosure conflicts with any representation, warranty or covenant of Seller, Seller shall have no liability for breach of any such representation, warranty or covenant relating to such conflicts; provided, in the event that any Schedule delivered pursuant to this Agreement is modified, Seller shall use reasonable efforts to provide Buyer with such modified Schedule in a reasonably timely manner and in any event Seller shall provide Buyer with such modified Schedules no later than the fifth Business Day prior to the Closing Date.

#### 4.6 SUFFICIENCY OF FUNDS

Buyer (i) has funds available to pay the Purchase Price and any expenses incurred by Buyer in connection with the transactions contemplated by this Agreement; (ii) has the resources and capabilities (financial or otherwise) to perform hereunder and under the Collateral Agreements; and (iii) has not incurred any obligation, commitment, restriction or liability of any kind,

absolute or contingent, present or future, which would impair or adversely affect such resources and capabilities.

5. CERTAIN COVENANTS

5.1 ACCESS AND INFORMATION

(a) Seller will give, and cause its Affiliates to give, to Buyer and to its officers, employees, accountants, counsel, environmental consultants and other representatives reasonable access during Seller's or the applicable Affiliate's normal business hours throughout the period prior to the Closing to all of Seller's or the applicable Affiliate's properties, books, contracts, commitments, reports of examination and records (excluding confidential portions of personnel records) directly relating to the Business or the Purchased Assets (but excluding the Excluded Assets and Excluded Liabilities (other than those relating to environmental or occupational health and safety matters) and subject to any limitations

- 26 -

LUCENT TECHNOLOGIES/CELESTICA

that are reasonably required to preserve any applicable attorney-client privilege or Third-Party confidentiality obligation). Seller shall assist, and cause its Affiliates to assist, Buyer in making such investigation and shall cause its counsel, accountants, engineers, consultants and other non-employee representatives to be reasonably available to Buyer for such purposes; it BEING UNDERSTOOD that Buyer shall reimburse Seller or the applicable Affiliate promptly for reasonable and necessary out of pocket expenses incurred by Seller or any Affiliate in complying with any such request by or on behalf of Buyer. In accordance with and subject to the foregoing, Seller shall permit environmental consultants retained by Buyer to conduct reasonable environmental studies of the Premises. In accordance with and subject to the foregoing, Seller shall permit environmental consultants retained by Buyer to conduct environmental studies of the Premises that are recommended by such consultants (including reasonable intrusive environmental investigations where so recommended) on a basis that does not interfere unreasonably with the ongoing operations of the Business. Seller shall have the right to review Buyer's plans for environmental studies/investigations and shall provide prompt comments. Buyer shall provide Seller with a copy of any report(s) resulting from Buyer's environmental studies/investigations which shall be subject to the same confidentiality obligations as the Reports are in Section 5.10. Seller shall not be bound by any conclusions or recommendations or findings of Buyer's consultants' studies/investigations but such shall constitute non-exclusive evidence of the information, findings, conclusions and recommendations therein. When Buyer's studies/investigations are completed, Buyer shall at its expense reasonably restore the Premises to a state not materially worse than its previous condition.

(b) After the Closing Date, Seller and Buyer will provide, and will cause their respective Affiliates to provide, to each other and to their respective officers, employees, counsel and other representatives, upon request (subject to any limitations that are reasonably required to preserve any applicable attorney-client privilege or Third-Party confidentiality obligation), reasonable access for inspection and copying of all Business Records, Governmental Permits, Licenses, Contracts and any other information existing as of the Closing Date and relating to the Business or the Purchased Assets, and will make their respective personnel reasonably available for interviews, depositions and testimony in any legal matter concerning transactions, operations or activities relating to the Business or the Purchased Assets, and as otherwise may be necessary or desirable to enable the party requesting such assistance to: (i) comply with reporting, filing or other requirements imposed by any foreign, local, state or federal court, agency or regulatory body; (ii) assert or defend any claims or allegations in any litigation or arbitration or in any administrative or legal proceeding other than claims or allegations that one party to this Agreement has asserted against the other; or (iii) subject to clause (ii) above, perform its obligations under this Agreement. The party requesting such information or assistance shall reimburse the other party for all reasonable out-of-pocket costs and expenses incurred by such party in providing such information and in rendering such assistance. The access to files, books and records contemplated by this Section 5.1(b) shall be during



normal business hours and upon not less than two (2) Business Days' prior written request by or on behalf of Buyer and shall be subject to such reasonable limitations as the party having custody or control thereof may impose to preserve the confidentiality of information contained therein.

- 27 -

LUCENT TECHNOLOGIES/CELESTICA

(c) Buyer agrees to preserve all Business Records, Licenses and Governmental Permits relating to the period ending on the Closing Date and to the extent transferred to Buyer for at least seven (7) years after the Closing Date. After this seven-year period and at least ninety (90) days prior to the planned destruction of any Business Records, Licenses or Governmental Permits, Buyer shall notify Seller in writing and shall make available to Seller, upon its request, such Business Records, Licenses and Governmental Permits. Buyer further agrees that, to the extent Business Records, Licenses or Governmental Permits are placed in storage, they will be indexed in such a manner as to make individual document retrieval possible in an expeditious manner as is reasonably practicable under the circumstances.

5.2 CONDUCT OF BUSINESS

From and after the date of this Agreement and until the Closing Date, except as set forth on SCHEDULE 5.2 or as otherwise contemplated by this Agreement or the Schedules hereto or as Buyer shall otherwise consent to in writing, Seller, with respect to the Business:

- (a) will carry on the Business in the ordinary course consistent with past practice;
- (b) will not permit, other than in the ordinary course of business consistent with past practice or as may be required by Law or a Governmental Body, all or any of the Purchased Assets (real or personal, tangible or intangible) presently and actively used in the operation of the Business to be sold, licensed or subjected to any Encumbrance (other than a Permitted Encumbrance granted in the ordinary course of business);
- (c) will not acquire, sell, lease, license, transfer or dispose of any asset that would otherwise be a Purchased Asset except in the ordinary course of business consistent with past practice;
- (d) will not terminate or materially extend or materially modify any Material Contract except in the ordinary course of business consistent with past practice; provided however that Seller shall provide written notice to Buyer prior to or promptly following any such termination, extension or modification;
- (e) will not do any other act which would cause any representation or warranty of Seller in this Agreement to be or become untrue in any material respect or intentionally omit to take any action necessary to prevent any such representation or warranty from being untrue in any material respect at such time; or
- (f) will not enter into any agreement or commitment with respect to any of the foregoing.

- 28 -

LUCENT TECHNOLOGIES/CELESTICA

5.3 TAX REPORTING AND ALLOCATION OF CONSIDERATION

(a) Seller and Buyer acknowledge and agree that (i) Seller will be responsible for and will perform all Tax withholding, payment and reporting

duties with respect to any wages and other compensation paid by Seller to any Business Employee in connection with operating the Business prior to or on the Closing Date, and (ii) Buyer will be responsible for and will perform all Tax withholding, payment and reporting duties with respect to any wages and other compensation paid by Buyer to any Transferred Employee in connection with operating the Business after the Closing Date.

(b) Seller and Buyer recognize their mutual obligations pursuant to Section 1060 of the Code to timely file IRS Form 8594 (the "ASSET ACQUISITION STATEMENT") with each of their respective federal income tax returns. Accordingly, Seller and Buyer shall, no later than thirty (30) days after the Purchase Price adjustment pursuant to Section 2.3(b)(iii), if any, has been agreed upon, attempt in good faith to (i) enter into a Purchase Price allocation agreement providing for the allocation of the Purchase Price among the Purchased Assets consistent with the provisions of Section 1060 of the Code and the Treasury Regulations thereunder and (ii) cooperate in the preparation of the Asset Acquisition Statement in accordance with clause (i) of this paragraph for timely filing with each of their respective federal income tax returns. If Seller and Buyer shall have agreed on a Purchase Price allocation and an Asset Acquisition Statement, Seller and Buyer shall file the Asset Acquisition Statement in the form so agreed and neither Seller nor Buyer shall take a Tax position which inconsistent with such Purchase Price allocation.

#### 5.4 BUSINESS EMPLOYEES

(a) Buyer shall make offers of employment to all Business Employees listed on Schedule 5.4 on the Closing Date, or such later date within six (6) months of the Closing Date (except to the extent required by Law) on which those individuals absent due to vacation, holiday, illness, leave of absence or disability present themselves for full-time employment with Buyer. The Business Employees listed on Schedule 3.8(a) who accept such offers of employment shall be referred to as "Initially Transferred Employees". Other employees of Seller employed in the Business shall be made available by Seller to Buyer after the Closing Date in accordance with the terms of the Business Services Agreement and may be hired by the Buyer in its discretion upon the termination of the Business Services Agreement. Any such employee hired by Buyer shall be referred to as a "Subsequently Transferred Employee", and Initially Transferred Employees and Subsequently Transferred Employees shall be referred to as "Transferred Employees". The date on which a Transferred Employee's employment with Buyer is effective shall be the "Transfer Date".

(b) Buyer shall provide for a total compensation package of salary, bonus opportunity and benefits (on an aggregate basis) to each Transferred Employee which is substantially similar to that offered by Buyer to similarly situated employees of Buyer, excepting only those Transferred Represented Employees whose terms and conditions of employment may be governed by a collective bargaining agreement negotiated between Buyer and the Union on or before the commencement of their employment. Employment by Buyer of the Transferred Represented Employees following their respective Transfer Dates shall be on

- 29 -

LUCENT TECHNOLOGIES/CELESTICA

terms and conditions consistent with the collective bargaining agreements entered into by Buyer and the Union, with such changes in such terms and conditions as agreed to by such parties. Buyer's 401(k) plan, severance plan, active medical, retiree medical (except for Transferred Employees who are eligible for benefits under Seller's retiree medical plan as of their respective Transfer Dates), dental, long term disability and life insurance programs, and paid time off policy shall recognize for each Transferred Employee who is a Non-Represented Employee, and Buyer's 401(k) plan, long term disability program, and paid time off policy shall recognize for each Transferred Employee who is a Represented Employee, all service with Seller, including service with predecessor employers that was recognized by Seller and any prior unbridged service with Seller, for purposes of determining eligibility to participate, vesting, pre-existing condition elimination period, and for any schedule of benefits based on service. Buyer will continue to provide relocation assistance to those Transferred Employees receiving it as of their respective Transfer Dates and tuition assistance to those Transferred Employees who are receiving

such benefits as of their respective Transfer Dates for the current academic session, excepting only those Transferred Represented Employees whose entitlement to such tuition or relocation assistance may have been altered or eliminated by a collective bargaining agreement negotiated between Buyer and the Union on or before the commencement of their employment. Buyer's medical and dental program shall recognize for each Transferred Employee, for purposes of satisfying any deductibles during the coverage period that includes his or her Transfer Date, any payment made by any such employee towards deductibles in any medical or dental program of Seller to the extent permitted by the insurance companies providing such benefits. Buyer shall use commercially reasonable efforts to cause the insurance companies providing such benefits to recognize such payments.

(c) Employment with Buyer of Initially Transferred Employees shall be effective as of the Business Day following the close of business on the Closing Date, except that the employment of (i) individuals receiving disability benefits or on approved leave of absence on the Closing Date will become effective as of the date they present themselves for full-time employment with Buyer within six (6) months of the Closing Date, and (ii) individuals who are in the process of applying for visas will become effective as of the date that their visas are transferred to Buyer and in the interim will continue to be employed by Seller and made available pursuant to the Business Services Agreement to Buyer who shall reimburse Seller for all direct costs of such employment.

(d) Buyer agrees that its health and welfare plans (other than its long term disability plans) shall waive any pre-existing condition exclusion (to the extent such exclusion was waived under applicable health and welfare plans offered to the Transferred Employees by Seller and to the extent permitted by the insurance companies providing such benefits to Buyer's employees) and any proof of insurability. (to the extent permitted by the insurance companies providing such benefits to Buyer's employees).

(e) For a period of six (6) months following the Closing Date, Buyer shall use reasonable commercial efforts to avoid modifying the current task assignments of the Transferred Employees if such reassignments would have a material adverse impact on the

- 30 -

LUCENT TECHNOLOGIES/CELESTICA

continuity of the operation of the Business or on the fulfillment of Buyer's obligations under this Agreement or the Supply Agreement.

(f) The parties acknowledge that certain Transferred Non-Represented Employees who are employed by Buyer for the period ending six months after the Closing Date will be entitled to payments in accordance with retention agreements entered into with them by Seller. Such payments shall be made promptly by Buyer to the extent funded by Seller, and the parties shall cooperate in exchanging information necessary to determine eligibility for and the amount of such payments.

(g) Prior to the Closing Date, Seller will provide Buyer with a schedule indicating the expected accrued but unused vacation as of the Closing Date (but not in excess of 40 hours) for each Initially Transferred Employee. Promptly after the Closing Date, Seller shall update such schedule as of the Closing Date. On or before the Transfer Date for each Subsequently Transferred Employee who is a Non-Represented Employee, Seller shall provide Buyer with the same information with respect to such Subsequently Transferred Employee. Buyer shall credit each Transferred Non-Represented Employee with the accrued but unused vacation time reflected on such updated schedule, and any accrued but unused vacation in excess of 40 hours shall be paid by Seller. With respect to accrued but unused vacation for each Transferred Represented Employee, accrued but unused vacation as of the Closing Date shall be treated by Buyer in accordance with the collective bargaining agreements entered into by Buyer and the Union, with such changes in such agreements as agreed to by such parties and, to the extent not assumed by Buyer, such accrued but unused vacation shall be paid by Seller. On the relevant Transfer Date for a Subsequently Transferred Employee, Seller shall reimburse Buyer for any accrued but unused vacation of such Subsequently Transferred Employee as of his or her Transfer Date,

calculated in accordance with the foregoing provisions of this Section 5.4(g), and the amount owed to such Subsequently Transferred Employees in respect of such accrued but unused vacation shall be assumed by Buyer.

(h) Seller shall provide "continuation coverage" to any "qualified beneficiary" who is covered by a "group health plan" sponsored, maintained or contributed to by Seller and who has experienced a "qualifying event" or is receiving "continuation coverage". All terms shall be defined in accordance with Code Section 4980B and ERISA Section 601 et seq.

#### 5.5 COLLATERAL AGREEMENTS; LEASED EQUIPMENT

(a) On or prior to the Closing Date, Buyer and/or its Affiliates, as applicable, shall execute and deliver to Seller, and Seller and/or its Affiliates, as applicable, shall execute and deliver to Buyer the Collateral Agreements.

(b) On or prior to the Closing Date, Seller shall provide Buyer with the costs and other terms applicable to the leases of furniture, office equipment and Leased Equipment and Buyer shall decide whether and to what extent such furniture, office equipment and Leased Equipment will (i) (x) transfer to Buyer as of the Closing Date by Buyer assuming the leases for such furniture and/or equipment in which case such lease agreements shall be deemed Contracts hereunder, or (y) be acquired by Buyer as of the Closing Date by Buyer paying for the costs of purchasing such furniture and/or equipment pursuant to the leases (the

- 31 -

#### LUCENT TECHNOLOGIES/CELESTICA

"Purchased Leased Equipment"), or (ii) remain the property of Seller as of the Closing Date (the "Excluded Leased Equipment").

#### 5.6 REGULATORY COMPLIANCE

Buyer and Seller shall cooperate, and shall cause their respective Affiliates to cooperate, with the other in making filings under the HSR Act and any applicable filings required under foreign antitrust Laws, and each party shall use its reasonable commercial efforts to resolve such objections, if any, as the Antitrust Division of the Department of Justice or the Federal Trade Commission or state antitrust enforcement or other Governmental Body may assert under the antitrust Laws with respect to the transactions contemplated hereby. In the event an action is instituted by any Person challenging the transactions contemplated hereby as violative of the antitrust Laws, Buyer and Seller shall use, and shall cause their respective Subsidiaries to use, their respective reasonable commercial efforts to resist or resolve such action.

#### 5.7 CONTACTS WITH SUPPLIERS, EMPLOYEES AND CUSTOMERS

Without the prior written consent of Seller, which may be withheld for any reason or no reason, Buyer agrees it will not contact any suppliers to, or customers of, the Business or any Business Employees in connection with or pertaining to any subject of this Agreement.

#### 5.8 NO NEGOTIATION OR SOLICITATION

Prior to the Closing Date, Seller and its Affiliates will not (and Seller will cause each of its employees, officers and agents not to) (a) solicit, initiate, entertain or encourage the submission of any proposal or offer from any Person, other than Buyer, relating to the direct or indirect acquisition of the Business or all or any portion of the Purchased Assets (other than in the ordinary course of business), or (b) participate in any discussions or negotiations regarding, furnish any information with respect to, assist or participate in, or facilitate in any other manner any effort or attempt by any Person to do or seek any of the foregoing. Seller will notify Buyer if any Person makes any proposal, offer, inquiry or contact with respect to any of the foregoing.

#### 5.9 USE OF LUCENT'S NAME

(a) Buyer and Seller agree as follows:

- (i) Within three (3) months after the Closing Date, Buyer shall, remove "Lucent," "Lucent Technologies" or other similar mark and any other trademark, design or logo previously or currently used by Seller or any of its Affiliates (the "SELLER MARK") that is not part of the Licensed Intellectual Property from all buildings, signs and vehicles of the Business;
- (ii) Immediately after the Closing Date, Buyer shall cease using Seller Marks that are not part of the Licensed Intellectual Property in all

- 32 -

LUCENT TECHNOLOGIES/CELESTICA

invoices, letterhead, advertising and promotional materials, office forms or business cards;

- (iii) Within three (3) months after the Closing Date, Buyer shall cease using Seller Marks that are not part of the Licensed Intellectual Property in electronic databases, web sites, product instructions, packaging (except as provided below) and other materials, printed or otherwise (all such materials, together with buildings, signs and vehicles of the Business described in clauses (i) and (ii) above, "MARKED ASSETS"). Notwithstanding the foregoing, Buyer shall not be restricted in using any packaging materials that are in inventory as of the Closing Date;
- (iv) Buyer shall not be required at any time to remove any previously authorized use of Seller Marks that are not part of the Licensed Intellectual Property from inventory of the Business that is in existence as of the Closing Date ("EXISTING INVENTORY"), nor shall Buyer be required at any time to remove such Seller Marks from schematics, plans, manuals, drawings, machinery, tooling including hand tools, and the like of the Business in existence as of the Closing Date to the extent that such instrumentalities are used in the ordinary internal conduct of the Business and are not generally observed by the public or are intended for use as means to effectuate or enhance sales (such items, "MARKED INSTRUMENTALITIES"). Buyer shall use Reasonable Efforts to remove Seller Marks that are not part of the Licensed Intellectual Property from those assets of the Business that are not Marked Instrumentalities or Existing Inventory, including those assets (such as, but not limited to, tools, molds, and machines) used in association with the manufacture of the products of the Business or otherwise reasonably used in the conduct of the Business after the Closing Date (such assets, "OTHER MARKED ASSETS"). For the purposes of this Section 5.9, "REASONABLE EFFORTS" means Buyer shall remove Seller Name from such Other Marked Assets but only at such time when such asset is not operated or otherwise is taken out of service in the normal course of business due to regular maintenance or repair (but only for such repairs or maintenance where such removal could normally be undertaken, for example, repair or maintenance of a mold cavity) whichever occurs first; PROVIDED that, in no event shall Buyer use Seller Name after the date which is six (6) months from the Closing Date. Buyer shall not be required to perform such removal on such

Other Marked Assets that are not or no longer used to manufacture the products of the Business or other parts, or if discontinuance of use of such Other Marked Assets is reasonably anticipated during such time period; provided, such Other Marked Assets are not sold or otherwise transferred to a Third Party absent Lucent's prior written approval.

- 33 -

LUCENT TECHNOLOGIES/CELESTICA

- (v) Seller hereby grants to Buyer a limited right to use Seller Marks with regard to the Marked Assets, Existing Inventory, Other Marked Assets and Marked Instrumentalities during the periods, if any, specified in clauses (i) - (iv) above.
- (vi) Buyer acknowledges and agrees that Lucent is the owner of Seller Marks and all goodwill attached thereto. This Agreement does not give Buyer any interest in Seller Marks except the right to use Seller Marks in accordance with this Agreement, the Intellectual Property Agreement and the Supply Agreement. Buyer agrees not to attempt to register Seller Marks nor to register anywhere in the world a mark same as or confusingly similar to Seller Marks.

(b) In no event shall Buyer or any Affiliate of Buyer advertise or hold itself out as Lucent or an Affiliate of Lucent after the Closing Date.

5.10 ENVIRONMENTAL

- (a) At the time of Closing, Seller will ensure that no Hazardous Substances that are waste are located on the Premises or that arrangements satisfactory to Buyer, acting reasonably, are in place to promptly dispose thereof.
- (b) Seller authorizes Buyer to contact any of Buyer's consultants and to obtain from such consultants any reliance letters which any of such consultants are prepared to provide. With respect to all other environmental reports prepared for Seller's consultants, Seller conveys and provides to Buyer the same assurances of reliance that it received from the authors of such reports.
- (c)
  - (i) Seller acknowledges that the documents listed in Schedule 3.10 are non-exclusive evidence of pre-Closing presence or releases, spills, emissions, discharges, leaks, disposals, leaching or migration into the indoor or outdoor environment of Hazardous Substances by Lucent and consequently such Hazardous Substances as are referred to therein ("the Lucent Identified Hazardous Substances") are Hazardous Substances to which this Section 5.10 and Section 9.3(b) apply.
  - (ii) Seller at its sole cost, shall promptly take all action required by Environmental Law to investigate, remediate or otherwise resolve issues related to the Lucent Identified Hazardous Substances and will retain all liability for and the responsibility to address the Lucent Identified Hazardous Substances to the extent such are not so investigated, remediated or resolved from time to time. All action of Seller shall be conducted in a manner complying with Environmental Law and other relevant Laws and requirements of Governmental Bodies, which shall include without limitation minimizing interference (to the extent practicable) with activities of Buyer

and others on the

- 34 -

LUCENT TECHNOLOGIES/CELESTICA

Columbus Premises, using reasonably competent personnel as selected by Seller to accomplish such objectives and restoring the Columbus Premises to its previous condition. Without limitation of the foregoing Seller shall use all reasonable efforts to obtain a Covenant Not to Sue ("CNS") from the Ohio Environmental Protection Agency ("Ohio EPA") under the Ohio Voluntary Action Program set forth at Ohio Revised Code Chapter 3746 and Ohio Administrative Code Chapter 3745-300, as amended from time to time. The CNS shall apply to the entire Columbus Premises and contain terms and conditions that are acceptable to Buyer. The application for such CNS is to be submitted by December 31, 2002 or as soon as reasonably practicable thereafter. To the extent engineered or institutional controls may be considered necessary by Seller to achieve the CNS, Buyer must consent to same but such consent shall not be unreasonably withheld. Use restrictions shall only be imposed on those portions of the Columbus Premises where a CNS cannot be obtained without such restrictions and, in no event, shall any use restriction on all or any portion of the Columbus Premises be other than a commercial use unless circumstances reasonably require otherwise. Seller shall bear the cost of maintaining any engineering and institutional controls. Seller will at all times keep Buyer fully informed as to progress of the remediation and Seller shall consult with Buyer with respect to key decisions.

- (iii) After Closing, Seller shall be entitled to a reasonable opportunity, including reasonable discovery from Buyer, to gather and to examine evidence as to whether an environmental, health or safety condition identified at the Premises is attributable to the pre-Closing period.
- (iv) In conjunction with, but without limitation by, Section 5.1 of this Agreement, Buyer intends to, and Seller hereby agrees that Buyer may, engage Golder Associates Ltd. (the "Consultant") to perform an environmental investigation (the "Investigation") in, on, under and, to the extent reasonably practicable, about the Columbus Premises with a view to discovering and recording both (A) the conditions on the Closing Date relevant to occupational health and safety and (B) the environmental condition on the Closing Date of the Columbus Premises and the business operations conducted thereon and of other lands to the extent affected by activities conducted on or in connection with the Columbus Premises (including, without limitation, the presence or release of Hazardous Substances). The Investigation will rely on previous work by Seller and Seller's consultants to the extent considered reasonable by Consultant. Seller shall make available to the Consultant all information in its possession or under the control (or which with reasonable efforts could be in the possession or under the control) of the Seller and any of its Affiliates relevant to the Investigation. Seller and Buyer and their Affiliates will use

LUCENT TECHNOLOGIES/CELESTICA

commercially reasonable efforts to cooperate with Consultant in connection with the conduct of the Investigation, including, without limitation, making their personnel reasonably available to the Consultant and its agents and representatives. The Investigation will include the conduct of a Phase I Environmental Site Assessment complying with ASTM Standard E1527-00, enhanced to address asbestos and asbestos containing materials, lead-based paint, wetlands issues and any other items deemed appropriate by Consultant, and a Phase II Environmental Site Assessment designed to address, confirm and delineate all potential environmental conditions identified in the said Phase I Environmental Site Assessment, including without limitation, the following:

- (I) the existence of Hazardous Substances on the Columbus Premises from the Columbus Drum Works, the Bedford Landfill or other off-site sources;
  - (II) the existence of Hazardous Substances under or near the structures on the Columbus Premises;
  - (III) the presence of Legionella bacteria on the Columbus Premises;
  - (IV) the presence and condition of asbestos-containing materials on the Columbus Premises;
  - (V) investigation of the presence and condition of lead-based paint on the Columbus Premises; and
  - (VI) air quality testing regarding mold and asbestos fibres and other Hazardous Substances in the air in the structures on the Columbus Premises.
- (v) The Investigation will continue following the date hereof with the intent of completing the Investigation within three months from the date hereof. Seller and Buyer acknowledge that the completion of the Investigation shall most likely occur following the Closing Date and that the completion of the Investigation shall not be a condition to the Closing.
- (vi) The reports to be produced recording matters relevant to the Investigation, including the Phase I and Phase II Environmental Site Assessments, (the "Reports") shall, among other things, set out the location, likely extent and concentration of each Hazardous Substance discovered in, on, under, about or from the Columbus Premises. The parties will have an opportunity to review and comment on the draft Reports upon their becoming available and before being prepared by



the Consultant in final form and Consultant shall be instructed to consider and incorporate on a reasonable basis all reasonable comments of the parties. Seller shall keep the Reports confidential except that Seller shall be entitled to provide copies of the Reports on a confidential basis to such Persons reasonably determined by Seller to require such information to effectuate the provisions of this Section 5.10 as is required by applicable Law, by securities regulatory authorities and stock exchanges or in connection with any dispute relating hereto. Seller and Buyer agree that the Reports shall constitute non-exclusive evidence of the environmental and occupational safety and health conditions of the Columbus Premises and Seller's business operations at or around the time of the Closing and such conditions, to the extent described by the Consultant and not constituting Lucent Disclosed Hazardous Substances are referred to as the "Golder Described EH&S Conditions".

- (vii) Buyer shall pay all fees of the Consultant in connection with the Investigation, including the preparation of and finalization of the Reports, and Seller and Buyer shall each otherwise be responsible for any costs such party incurs in connection therewith.
- (viii) Seller, at its sole cost, shall promptly take all action required by Environmental Law to investigate, remediate or otherwise resolve the issues related to the Golder Described EH&S Conditions (including, without limitation, the presence or release of Hazardous Substances) and will retain all liability for and the responsibility to address the Golder Described Closing EHS Conditions to the extent that the EHS Closing Conditions are not so investigated, remediated or resolved with from time to time. The parties acknowledge that the fact that the Consultant describes a matter as an environmental or health and safety condition does not determine whether or not such matter requires investigation, remediation or other resolution under Environmental Law. All action of Seller shall be conducted in a manner complying with Environmental Law and other relevant Laws and requirements of Governmental Bodies, which shall include without limitation minimizing interference (to the extent practicable) with activities of Buyer and others on the Columbus Premises, using reasonably competent personnel as selected by Seller to accomplish such objectives and restoring the Columbus Premises to its previous condition.
- (ix) To the extent that a CNS is obtained through the use of engineering and/or institutional controls acceptable to Buyer and Hazardous Substances are permitted to remain on the Columbus Premises, Seller shall remain liable for and shall be responsible for all future costs associated with maintaining the engineering and institutional controls.

- 37 -

LUCENT TECHNOLOGIES/CELESTICA

- (x) Buyer shall cooperate with Seller as necessary to effectuate the provisions of this Section 5.10

(including without limitation furtherance of the investigatory and remedial actions set forth above) in accordance with the provisions of this Agreement provided that all reasonable costs thereof shall be for the account of and paid by Seller.

- (xi) Seller will promptly and in a prudent manner complying with Environmental Laws demolish, remove and properly dispose of the former wastewater treatment plant, the abandoned tanks formerly used for caustics, solvents and acids, and the former used fuel oil storage tanks and, thereafter, restore all portions of the Premises affected by the presence, demolition or removal of the said plant and tanks to standards satisfactory to Buyer, acting reasonably. Seller will proceed with the said demolition, removal and restoration only after reasonable notice to Buyer and only in accordance with plans approved by Buyer acting reasonably. Seller will indemnify and hold harmless Buyer and all persons affiliated or associated with Buyer from and against all Losses arising out of or in connection with the said demolition, removal and restoration.

#### 5.11 SEC DISCLOSURE

Each party acknowledges that the other party (or an Affiliate of such other party) may, upon advice of its legal advisors, be required to file this Agreement with the United States Securities and Exchange Commission ("SEC"). If a party is required to so file, it shall (i) give notice to the other party of such filing requirement together with a copy of its draft application to the SEC requesting the redaction as far in advance of such filing requirement as is reasonably practicable, and (ii) permit such other party's legal advisors to participate in the redaction of this Agreement on a mutually agreeable basis (with the understanding that each party shall include in its initial application the preferred redactions being sought by the other party). Each party agrees that it will (i) work in good faith to include all recommendations of the other party in all subsequent response filings with the SEC and (ii) use all commercially reasonable efforts to ensure that only such information is disclosed as is necessary to meet the SEC requirements. Each party shall use reasonable efforts to cause its legal counsel to act in a timely manner in order to meet the other party's requirements to timely meet its filing obligations.

#### 5.12 SCHEDULE UPDATES

On and after the date hereof and until the fifth Business Day prior to the Closing Date, Seller may (i) update SCHEDULES 1.1(d), 2.1(g), 2.1(i), 3.3(b), 3.8(a) and 3.8(b) (with respect to the first sentence only) (in each case, only to reflect changes occurring in the ordinary course of business in accordance with Section 5.2 and also, (a) in the case of SCHEDULE 1.1(d), only to reflect the addition of Principal Equipment in the ordinary course of business in accordance with Section 5.2 that is necessary but not material to the conduct of the Business and (b) in the case of Schedule 3.8(a) to reflect Business Employees who retire from employment with Seller or whose employment will be involuntarily terminated by

Seller) and (ii) update any other Schedule attached to this Agreement in a material manner with the consent of Buyer, such consent not to be unreasonably withheld. On and after the date hereof and until the Business Day prior to the Closing Date, the parties may modify Schedule 5.4 to reflect the Initially Transferred Employees, if any, to whom Buyer will offer employment on the Closing Date based solely on Buyer's assessment of its business needs. Seller and Buyer shall work together, acting reasonably and in good faith, to agree on any changes to Schedules effected pursuant to (ii) above, and to use their reasonable efforts to ensure that Closing is not delayed as a result of changes to Schedules pursuant to (ii) above.

## 5.13 ASSETS PUT

(a) In the event that Buyer is unable to utilize to a reasonable extent (being not less than 60% utilization) certain Principal Equipment, which shall be identified on Schedule 1.1(d) as being subject to this Section 5.13(a), in the Business on or before the first anniversary of the Closing Date or prior thereto if it becomes apparent that such Principal Equipment cannot be utilized to a reasonable extent as aforesaid as a result of low demand, termination or suspension of a product line or otherwise, Buyer shall have the right to cause Seller to purchase all or a portion of such Principal Equipment, upon providing Seller with a notice identifying such Principal Equipment and the applicable purchase price. The purchase price of such Principal Equipment shall be equal to the purchase price paid by Buyer to Seller for the applicable Principal Equipment at Closing. Seller shall pay the purchase price applicable to such Principal Equipment no later than ten (10) Business Days following the receipt of the aforementioned notice.

(b) For a period of six (6) months following the Closing Date, Buyer shall have an option to purchase from Seller certain Excluded Assets, which shall be identified on Schedule 2.2(i) as being subject to this Section 5.13(b), upon providing Seller with a notice identifying such Excluded Assets and the applicable purchase price. Nothing herein contained shall be construed to restrict the Buyer's ability to sell such Excluded Assets to a Third Party provided that if Seller receives an offer from a Third Party to acquire any such Excluded Assets, Seller shall notify Buyer and Buyer shall have five (5) Business Days to provide Seller with a notice of its intention to purchase all or a portion of such Excluded Assets. Buyer's option shall terminate in the event that such Excluded Assets are lost, substantially damaged or destroyed. The purchase price of such Excluded Assets shall be equal to the lesser of the net book value of such Excluded Assets at the Closing Date and the price the Third Party offered to pay for such Excluded Assets. Buyer shall pay the purchase price applicable to such Excluded Assets no later than ten (10) Business Days following the receipt by Seller of the relevant notice provided by Buyer and upon delivery by Seller to Buyer of such Excluded Assets.

## 5.14 BUSINESS SERVICES AGREEMENT

Prior to the Closing Date, Buyer and Seller shall use all reasonable efforts acting in good faith to negotiate and settle a Business Services Agreement on the terms and conditions set forth in the Business Services Term Sheet attached hereto as Exhibit I.

- 39 -

## LUCENT TECHNOLOGIES/CELESTICA

## 6. CONFIDENTIAL NATURE OF INFORMATION

### 6.1 CONFIDENTIALITY AGREEMENT

Buyer agrees that the Confidentiality Agreement shall apply to (a) all documents, materials and other information that it shall have obtained regarding Seller or its Affiliates during the course of the negotiations leading to the consummation of the transactions contemplated hereby (whether obtained before or after the date of this Agreement), any investigations made in connection therewith and the preparation of this Agreement and related documents and (b) all analyses, reports, compilations, evaluations and other materials prepared by Buyer or its counsel, accountants or financial advisors that contain or otherwise reflect or are based upon, in whole or in part, any of the provided information; PROVIDED, HOWEVER, that subject to Section 6.2(a), the Confidentiality Agreement shall terminate as of the Closing and shall be of no further force and effect thereafter with respect to information of Seller the ownership of which is transferred to Buyer.

### 6.2 SELLER'S PROPRIETARY INFORMATION

(a) Except as provided in Section 6.2(b) and 6.2(d), and except as otherwise provided in the Intellectual Property Agreement or the Supply Agreement, after the Closing and for a period of five (5) years following the Closing Date, Buyer agrees that it will keep confidential all of Seller's and

its Affiliates' Proprietary Information that is received from, or made available by, Seller in the course of the transactions contemplated hereby, including, for purposes of this Section 6.2, information about Seller's and its Affiliates' business plans and strategies, marketing ideas and concepts, especially with respect to unannounced products and services, present and future product plans, pricing, volume estimates, financial data, product enhancement information, business plans, marketing plans, sales strategies, customer information (including customers' applications and environments), market testing information, development plans, specifications, customer requirements, configurations, designs, plans, drawings, apparatus, sketches, software, hardware, data, prototypes, connecting requirements or other technical and business information, except for such Proprietary Information as is conveyed to Buyer as part of the Purchased Assets.

(b) Notwithstanding the foregoing, such Proprietary Information shall not be deemed confidential and Buyer shall have no obligation with respect to any such Proprietary Information that:

- (i) at the time of disclosure was already known to Buyer other than through this transaction, free of restriction as evidenced by documentation in Buyer's possession;
- (ii) is or becomes publicly known through publication, inspection of a product, or otherwise, and through no negligence or other wrongful act of Buyer;
- (iii) is received by Buyer from a Third Party without similar restriction and without breach of any agreement;

- 40 -

LUCENT TECHNOLOGIES/CELESTICA

- (iv) to the extent it is independently developed by Buyer; or
- (v) is, subject to Section 6.2(c), required to be disclosed under applicable Law or judicial process.

(c) If Buyer (or any of its Affiliates) is requested or required (by oral question, interrogatory, request for information or documents, subpoena, civil investigative demand or similar process) to disclose any of Seller's Proprietary Information, Buyer will promptly notify Seller of such request or requirement and will cooperate with Seller such that Seller may seek an appropriate protective order or other appropriate remedy. If, in the absence of a protective order or the receipt of a waiver hereunder, Buyer (or any of its Affiliates) is in the written opinion of Buyer's counsel required to disclose the Proprietary Information, Buyer (or its Affiliate) may disclose only so much of the Proprietary Information to the party compelling disclosure as is required by Law. Buyer will exercise its (and will cause its Affiliates to exercise their) reasonable commercial efforts to obtain a protective order or other reliable assurance that confidential treatment will be accorded to such Proprietary Information.

(d) Except to the extent that disclosure thereof is required under accounting, stock exchange or Federal Securities Laws disclosure obligations, the terms and conditions of this Agreement, and all attachments and amendments hereto and thereto shall be considered Proprietary Information protected under this Article 6. Notwithstanding anything in this Article 6 to the contrary, in the event that any such Seller's Proprietary Information is also subject to a limitation on disclosure or use contained in another written agreement between Buyer and Seller (including but not limited to, the Intellectual Property Agreement) that is more restrictive than the limitation contained in this Article 6, then the limitation in such agreement shall supersede this Article 6. Notwithstanding anything in this Article 6 to the contrary, Buyer shall be permitted to disclose the terms and conditions of this Agreement, and all attachments and amendments hereto and thereto, and copies thereof, to its Affiliates and to its and their respective officers, directors and employees and professional advisors, in each case, who have a need to know such information

for the purposes of discharging their duties to Buyer and its Affiliates, and to its lenders and investment dealers where required to do so under binding agreements with such Persons; provided, however, that Buyer shall require all such Persons to maintain the confidentiality of any such information in accordance with the terms hereof and Buyer shall remain responsible to Seller for the actions of such parties with respect to such information.

7. CLOSING

At the Closing, the following transactions shall take place:

7.1 DELIVERIES BY SELLER

On the Closing Date, Seller shall deliver to Buyer the following:

- (a) the Collateral Agreements;

- 41 -

LUCENT TECHNOLOGIES/CELESTICA

- (b) all consents, waivers or approvals theretofore obtained by Seller with respect to the sale of the Purchased Assets or the consummation of the transactions contemplated by this Agreement or the Collateral Agreements;
- (c) an opinion or opinions of Counsel for Seller dated the Closing Date with respect to the matters described in Sections 3.1, 3.2 and 3.3(a)(i) in a form and subject to such exceptions as are customary for transactions similar to those contemplated hereby, which form shall be reasonably acceptable to Buyer;
- (d) a certificate of an appropriate officer of Seller, dated the Closing Date, certifying to the best of his or her knowledge the fulfillment of the conditions set forth in Sections 8.2(a) and (b);
- (e) to the extent required, updated Schedules revised in accordance with Section 5.12 to reflect changes in the operations or condition of the Business between the date hereof and the Closing Date; and
- (f) all such other bills of sale, assignments and other instruments of assignment, transfer or conveyance as Buyer may reasonably request or as may be otherwise necessary to evidence and effect the sale, transfer, assignment, conveyance and delivery of the Purchased Assets to Buyer and to put Buyer in actual possession or control of the Purchased Assets.

7.2 DELIVERIES BY BUYER

On the Closing Date, Buyer shall deliver to Seller the following:

- (a) the Purchase Price as provided in Section 2.3;
- (b) the Collateral Agreements;
- (c) an opinion or opinions of Counsel for Buyer, and any Affiliates of Buyer, to the extent that such Affiliate is a party to any of the Collateral Agreements, dated the Closing Date with respect to the matters described in Sections 4.1, 4.2 and 4.3(a)(i) in a form and subject to such exceptions as are customary for transactions similar to those contemplated hereby, which form shall be reasonably acceptable to Seller;
- (d) a certificate of an appropriate officer of Buyer, dated the Closing Date, certifying to the best of his or her knowledge the fulfillment of the conditions set forth in Sections 8.3(a) and (b);
- (e) all such other documents and instruments as Seller may

reasonably request or as may be otherwise necessary or desirable to evidence and effect the assumption by Buyer of the Assumed Liabilities; and

- 42 -

LUCENT TECHNOLOGIES/CELESTICA

- (f) evidence of the obtaining of or the filing with respect to, any required approvals set forth on SCHEDULE 4.3(b).

7.3 CLOSING DATE

The Closing shall take place on the Closing Date at the offices of Seller, 600 Mountain Avenue, Murray Hill, New Jersey 07974, at 10:00 a.m. local time within five (5) Business Days following the date on which the last of the conditions specified in Article 8 to be satisfied or waived has been satisfied or waived, or at such other place or time or on such other date as Seller and Buyer may agree upon in writing (such date and time being referred to herein as the "Closing Date").

7.4 CONTEMPORANEOUS EFFECTIVENESS

All acts and deliveries prescribed by this Article 7, regardless of chronological sequence, will be deemed to occur contemporaneously and simultaneously on the occurrence of the last act or delivery required by this Article, and none of such acts or deliveries will be effective until the last of the same has occurred.

7.5 RISK OF LOSS FOR PURCHASED ASSETS

From the date hereof to the Effective Time on the Closing Date, the Purchased Assets shall be and remain at the risk of Seller. If prior to the Effective Time on the Closing Date, any of such Purchased Assets are destroyed or damaged by fire or any other casualty or shall be appropriated, expropriated or seized by Governmental Body or other lawful authority, Buyer shall not be required to complete the purchase of such Purchased Asset and shall not be required to pay to Seller the portion of the Purchase Price attributed to such Purchased Asset. In the event that the relevant Purchased Asset has not been destroyed or appropriated, expropriated or seized but merely damaged and Buyer elects to complete the purchase of such asset, the Purchase Price shall be reduced by an amount mutually agreed by the parties or, if mutually agreed to by the parties, Buyer shall pay the full Purchase Price therefor and any proceeds of insurance net of all proven expenses incurred and paid by Seller to obtain payment of such insurance proceeds, shall be paid to Buyer, if previously received, or assigned to Buyer, in either case, as at the Effective Time on the Closing Date.

8. CONDITIONS PRECEDENT TO CLOSING

8.1 GENERAL CONDITIONS

The respective obligations of Buyer and Seller to effect the Closing of the transactions contemplated hereby are subject to the fulfillment, prior to or at the Closing, of each of the following conditions:

- (a) NO INJUNCTIONS. No order of any court or administrative agency shall be in effect that enjoins, restrains, conditions or prohibits consummation of this Agreement or the Collateral Agreements.

- 43 -

LUCENT TECHNOLOGIES/CELESTICA

- (b) ANTITRUST LAWS. Any applicable waiting period under the HSR Act or other applicable antitrust Laws relating to the

transactions contemplated by this Agreement or the Collateral Agreements shall have expired or been terminated.

## 8.2 CONDITIONS PRECEDENT TO BUYER'S OBLIGATIONS

The obligations of Buyer to effect the Closing of the transactions contemplated hereby are subject to the fulfillment, prior to or at the Closing, of each of the following conditions, any of which may be waived in writing by Buyer:

- (a) REPRESENTATIONS AND WARRANTIES OF SELLER TRUE AT CLOSING. The representations and warranties of Seller contained in this Agreement or in any schedule, certificate or document delivered pursuant to the provisions hereof or in connection with the transactions contemplated hereby (X) which are qualified by materiality shall be true and correct, and (Y) which are not qualified by materiality shall be true in all material respects at and as of the Closing Date, as though such representations and warranties were made at and as of the Closing Date, except (i) as affected by the transactions contemplated hereby, and (ii) to the extent that such representations and warranties are made as of a specified date, in which case such representations and warranties shall be true in all material respects as of the specified date.
- (b) PERFORMANCE BY SELLER. Seller shall have performed in all material respects all obligations and agreements and complied in all material respects with all covenants and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing, including executing the Collateral Agreements.
- (c) REQUIRED CONSENTS. Seller shall have obtained all of the Required Consents, except where the failure to obtain such consents, approvals or authorizations, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.
- (d) UNION AGREEMENT. The collective bargaining agreements between Buyer and the Union covering the Transferred Represented Employees shall have been ratified and approved by the requisite majority of the members of the Union and executed by the Union on or before the Closing Date provided, however, that in the event that the Seller retains the Represented Employees beyond the Closing Date, in accordance with Section 5.4, the entering into, ratification and approval of the collective bargaining agreements shall cease to be a condition precedent to Buyer's obligation to effect the Closing but the parties shall have executed and delivered the Business Services Agreement as a condition precedent to Buyer's obligation to effect the Closing.

- 44 -

LUCENT TECHNOLOGIES/CELESTICA

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## 8.3 CONDITIONS PRECEDENT TO SELLER'S OBLIGATIONS

The obligations of Seller to effect the Closing of the transactions contemplated hereby are subject to the fulfillment, prior to or at the Closing, of each of the following conditions, any of which may be waived in writing by Seller:

- (a) REPRESENTATIONS AND WARRANTIES OF BUYER TRUE AT CLOSING. The representations and warranties of Buyer contained in this Agreement or in any certificate or document delivered pursuant to the provisions hereof or in connection with the transactions contemplated hereby shall be true and correct in all material respects at and as of the Closing Date as though such representations and warranties were made at and as of the Closing Date, except to the extent that such representations and warranties are made as of a specified date, in which case

such representations and warranties shall be true in all material respects as of the specified date.

- (b) PERFORMANCE BY BUYER. Buyer shall have performed in all material respects all obligations and agreements and complied in all material respects with all covenants and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing, including executing the Collateral Agreements.

## 9. STATUS OF AGREEMENTS

The rights and obligations of Buyer and Seller under this Agreement shall be subject to the following terms and conditions:

### 9.1 EFFECT OF BREACH

In the event of a material breach of any representation, certification or warranty, or agreement or covenant of Seller under this Agreement that is discovered by Buyer prior to Closing and that cannot be or is not cured by Seller upon prior notice and the passage of a reasonable period of time, Buyer may elect not to proceed with the Closing hereunder, which shall be Buyer's sole remedy for such breach.

### 9.2 SURVIVAL OF REPRESENTATIONS AND WARRANTIES

The representations and warranties of Buyer and Seller contained in this Agreement shall survive the Closing for \*\*\*; provided, that the representations and warranties contained in (i) Sections 3.1, 3.2, 3.3(a)(i), 3.4(a), 3.6 (as to the title of the Premises) and Sections 4.1, 4.2 and 4.3(a)(i) shall survive until the \*\*\*, (ii) Section 3.10 shall survive for a period of \*\*\* years following the Closing Date, (iii) Section 3.12(a) shall survive until the termination or expiry of the Supply Agreement, and (iv) and any claim for any breach of a representation or warranty based on fraud or fraudulent misrepresentation may be made at any time. Neither Seller nor Buyer shall have any liability whatsoever with respect to any such representations or warranties after the survival period for such representation or warranty expires.

- 45 -

LUCENT TECHNOLOGIES/CELESTICA

### 9.3 GENERAL AGREEMENT TO INDEMNIFY

(a) Seller and Buyer shall indemnify, defend and hold harmless the other party hereto, any Affiliate thereof, and any director, officer or employee of such party or Affiliate thereof (each an "INDEMNIFIED PARTY") from and against any and all claims, actions, suits, proceedings, liabilities, obligations, losses, and damages, amounts paid in settlement, interest, costs and expenses (including reasonable attorney's fees, court costs and other out-of-pocket expenses incurred in investigating, preparing or defending the foregoing) (collectively, "LOSSES") incurred or suffered by any Indemnified Party to the extent that the Losses arise by reason of, or result from (i) the failure of any representation or warranty of such party contained in this Agreement to have been true in all material respects when made and as of the Closing Date except as expressly provided otherwise in Section 8.2(a) or 8.3(a), or (ii) the breach by such party of any covenant or agreement of such party contained in this Agreement to the extent not waived by the other party.

(b) Seller further agrees to indemnify and hold harmless Buyer from and against any Losses incurred by Buyer arising out of, resulting from, or relating to: (i) the Excluded Liabilities; (ii) Buyer's waiver of any applicable Bulk Sales Laws; (iii) any claim, demand or liability for Taxes imposed on Buyer for which Seller is responsible pursuant to Section 2.9; (iv) any claims of any Business Employee employed by Buyer in connection with any Benefit Plan of Seller or such Business Employee's employment with Seller accruing prior to and including the Closing Date; (v) any event occurring or any condition existing at or prior to the Closing Date relating to the Business, the Premises or the Purchased Assets which now or hereafter constitutes a violation of, or gives rise to any liability under, any Environmental Law; (vi) any presence or any



release, spill, emission, discharge, leak, disposal, leaching or migration into the indoor or outdoor environment of any Hazardous Substances in, on, under or from the Premises or the Purchased Assets and whether by Seller or by any other Person at or prior to the Closing Date or prior to the Closing Date; and (vii) any requirement imposed by a Governmental Body to change, improve or modify the processes of the Business so as to bring the same into a state of not being in violation of Environmental Laws.

(c) Buyer further agrees to indemnify and hold harmless Seller with respect to: (i) any failure of Buyer to discharge any of the Assumed Liabilities; (ii) any claim, demand or liability for Taxes imposed on Seller for which Buyer is responsible pursuant to Section 2.9; and (iii) any medical, health or disability claims of any Transferred Employee, for claims for expenses incurred on or before the close of business on the Closing Date which are not presented on a reasonably timely basis to Seller by such Transferred Employee for payment or reimbursement in accordance with the terms of the applicable Benefit Plan of Seller due to fault of Buyer.

(d) Amounts payable in respect of the parties' indemnification obligations shall be treated as an adjustment to the Purchase Price. Buyer and Seller agree to cooperate in the preparation of a supplemental Asset Acquisition Statement as required by Section 5.3 and Treasury Reg. Section 1.1060-1T(e) as a result of any adjustment to the Purchase Price pursuant to the preceding sentence. Whether or not the Indemnifying Party (as defined below) chooses to defend or prosecute any Third-Party Claim (as defined in Section 9.4(a)) both parties

- 46 -

LUCENT TECHNOLOGIES/CELESTICA

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hereto shall cooperate in the defense or prosecution thereof and shall furnish such records, information and testimony, and attend such conferences, discovery proceedings, hearings, trials and appeals, as may be reasonably requested in connection therewith or as provided in Section 5.1.

(e) The amount of the Indemnifying Party's liability under this Agreement shall be determined taking into account any applicable insurance proceeds actually received by, and other savings, including Tax savings, that actually reduce the overall impact of the Losses upon, the Indemnified Party. The indemnification obligations of each party hereto under this Article 9 shall inure to the benefit of the directors, officers and Affiliates of the other party hereto on the same terms as are applicable to such other party.

(f) The Indemnifying Party's aggregate liability for all claims made under (i) Section 9.3(a) hereof (other than with respect to breaches of covenants relating to environmental or occupational health and safety matters), (ii) Section 9.3(a) of the Oklahoma City APA (other than with respect to breaches of covenants relating to environmental or occupational, health and safety matters), and (iii) Section 47.2 of the Supply Agreement shall be subject to the following limitations: (i) the Indemnifying Party shall have no liability for such claims until the aggregate amount of the Losses incurred shall exceed \*\*\* dollars (US\$\*\*\*), in which case the Indemnifying Party shall be liable only for the portion of the Losses exceeding \*\*\* dollars (US\$\*\*\*), and (ii) the Indemnifying Party's aggregate liability for all such claims (whether made under one or more of Section 9.3(a) hereof, Section 9.3(a) of the Oklahoma City APA or Section 46.2 of the Supply Agreement) shall not exceed \*\*\* dollars (US\$\*\*\*). The Indemnified Party may not make a claim for indemnification under Section 9.3(a) for breach by the Indemnifying Party of a particular representation or warranty after the expiration of the survival period specified in Section 9.2.

(g) The Indemnifying Party's liability for all claims (excluding those made under Section 9.3(a) which shall be governed by Section 9.2(f) and excluding all claims made under Section 9.3(b)(v), (vi) or (vii) with respect to environmental or occupational health and safety matters), shall be subject to the following limitation: the Indemnifying Party shall have no liability for such claims until the aggregate amount of the Losses incurred shall exceed \*\*\* dollars (US\$\*\*\*) (the "Threshold Amount"), in which case the Indemnifying Party shall be liable for all Losses including the Threshold

Amount.

(h) The indemnification provided in this Article 9 shall be the sole and exclusive remedy after the Closing Date for damages available to the parties to this Agreement for breach of any of the terms, conditions, representations or warranties contained herein or any right, claim or action arising from the transactions contemplated by this Agreement; PROVIDED, HOWEVER, this exclusive remedy for damages does not preclude a party from bringing an action for specific performance or other equitable remedy to require a party to perform its obligations under this Agreement or any Collateral Agreement.

(i) Notwithstanding anything contained in this Agreement to the contrary, no party shall be liable to the other party for indirect, special, punitive, exemplary or consequential loss or damage (including any loss of revenue or profit) arising out of this Agreement,

- 47 -

LUCENT TECHNOLOGIES/CELESTICA

PROVIDED, HOWEVER, the foregoing shall not be construed to preclude recovery by the Indemnified Party in respect of Losses directly incurred from Third Party Claims. Both parties shall use reasonable efforts to mitigate their damages.

(j) The rights to indemnification under Section 9.3 shall not be subject to set-off for any claim by the Indemnifying Party against any Indemnified Party, whether or not arising from the same event giving rise to such Indemnified Party's claim for indemnification.

9.4 GENERAL PROCEDURES FOR INDEMNIFICATION

(a) The Indemnified Party seeking indemnification under this Agreement shall promptly notify the party against whom indemnification is sought (the "INDEMNIFYING PARTY") of the assertion of any claim, or the commencement of any action, suit or proceeding by any Third Party, in respect of which indemnity may be sought hereunder and will give the Indemnifying Party such information with respect thereto as the Indemnifying Party may reasonably request, but failure to give such notice shall not relieve the Indemnifying Party of any liability hereunder (unless such failure prevents the Indemnifying Party from effectively contesting the claim in respect of which indemnification is sought). The Indemnifying Party shall have the right, but not the obligation, exercisable by written notice to the Indemnified Party within thirty (30) days of receipt of notice from the Indemnified Party of the commencement of or assertion of any claim, action, suit or proceeding by a Third Party in respect of which indemnity may be sought hereunder (a "THIRD-PARTY CLAIM"), to assume the defense and control the settlement of such Third-Party Claim that (i) involves (and continues to involve) solely money damages, or (ii) involves (and continues to involve) claims for both money damages and equitable relief against the Indemnified Party that cannot be severed, where the claims for money damages are the primary claims asserted by the Third Party and the claims for equitable relief are incidental to the claims for money damages.

(b) The Indemnifying Party or the Indemnified Party, as the case may be, shall have the right to participate in (but not control), at its own expense, the defense of any Third-Party Claim that the other is defending, as provided in this Agreement.

(c) The Indemnifying Party, if it has assumed the defense of any Third-Party Claim as provided in this Agreement, shall not consent to a settlement of, or the entry of any judgment arising from, any such Third-Party Claim without the Indemnified Party's prior written consent (which consent shall not be unreasonably withheld) unless such settlement or judgment relates solely to monetary damages. The Indemnifying Party shall not, without the Indemnified Party's prior written consent, enter into any compromise or settlement that (i) commits the Indemnified Party to take, or to forbear to take, any action, or (ii) does not provide for a complete release by such Third Party of the Indemnified Party. The Indemnified Party shall have the sole and exclusive right to settle any Third-Party Claim, on such terms and conditions as it deems reasonably appropriate, to the extent such Third-Party Claim involves equitable or other non-monetary relief against the Indemnified Party, and shall have the right to settle any Third-Party Claim involving money damages for which the Indemnifying Party has not assumed the defense pursuant to this Section 9.4 with

the written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed.

- 48 -

LUCENT TECHNOLOGIES/CELESTICA

(d) In the event an Indemnified Party shall claim a right to payment pursuant to this Agreement, such Indemnified Party shall send written notice of such claim to the Indemnifying Party. Such notice shall specify the basis for such claim. As promptly as possible after the Indemnified Party has given such notice, and subject to the limitations set forth in Section 9.3, the Indemnified Party and the Indemnifying Party shall establish the merits and amount of such claim by mutual agreement, or, if necessary, by arbitration in a manner reasonably determined by mutual agreement of such parties.

9.5 BREACH OF REPRESENTATIONS RESULTING IN LIMITATION OF OBLIGATIONS UNDER THE SUPPLY AGREEMENT

To the extent Buyer is unable to perform any of its obligations under the Supply Agreement as a result of Seller failing to provide to Buyer Proprietary Information in breach of Section 3.4(c) or 3.12(c) hereof, then Buyer shall be relieved of such obligations under the Supply Agreement during the period of time that the breach of Section 3.4(c) or 3.12(c), as the case may be, remains uncured, and Buyer's failure to perform such obligations shall not affect any applicable measure of Buyer's performance under the Supply Agreement, including performance related to delivery under the Supply Agreement, and Seller shall not assert any of its rights and remedies under the Supply Agreement against Buyer as a result of such non-performance.

10. MISCELLANEOUS PROVISIONS

10.1 NOTICES

All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given upon receipt if (i) mailed by certified or registered mail, return receipt requested, (ii) sent by Federal Express or other express carrier, fee prepaid, (iii) sent via facsimile with receipt confirmed, or (iv) delivered personally, addressed as follows or to such other address or addresses of which the respective party shall have notified the other.

(a) If to Seller, to:                   Lucent Technologies Inc.  
Attn: Chief Supply Officer  
600 Mountain Avenue  
Murray Hill, NJ 07974-0636  
U. S. A.  
Facsimile: (908) 582-8082

With a copy to:                   Lucent Technologies Inc.  
Attn: Vice President - Law  
600 Mountain Avenue  
Murray Hill, NJ 07974-0636  
U. S. A.  
Facsimile: (908) 582-6130

- 49 -

LUCENT TECHNOLOGIES/CELESTICA

(b) If to Buyer, to:                   Celestica Corporation  
  
Pease International Tradeport  
ATTN: EXA03  
72 Pease Boulevard  
Newington, New Hampshire 03801  
U. S. A.  
Attention: General Manager

Facsimile: (603) 334-4330

With a copy to:

Celestica Inc.  
7th Floor  
12 Concorde Place  
Toronto, Ontario M3C 3R8

Attn: Senior Vice President,  
Mergers & Acquisitions  
Facsimile: (416) 448-5444

And to:

Vice President and General Counsel  
Facsimile: (416) 386-7817

#### 10.2 EXPENSES

Except as otherwise provided in this Agreement, each party to this Agreement will bear all the fees, costs and expenses that are incurred by it in connection with the transactions contemplated hereby, whether or not such transactions are consummated.

#### 10.3 ENTIRE AGREEMENT; MODIFICATION

The agreement of the parties, which is comprised of this Agreement, the Schedules and Exhibits hereto and the documents referred to herein, sets forth the entire agreement and understanding between the parties and supersedes any prior agreement or understanding, written or oral, relating to the subject matter of this Agreement. With respect to the Purchased Assets, the Business, or any other rights or obligations to be transferred hereunder or pursuant hereto, no party has been induced by or has relied upon any representations, warranties, or statements, whether express or implied, made by any other party, its agents, employees, attorneys or other representatives or by any Person representing or purporting to represent the other party that are not expressly set forth in this Agreement or the Collateral Agreements (including the Schedules and Exhibits hereto and thereto), whether or not any such representations, warranties or statements were made in writing or orally. No amendment, supplement, modification or waiver of this Agreement shall be binding unless executed in writing by the party to be bound thereby, and in accordance with Section 11.4.

#### 10.4 ASSIGNMENT; BINDING EFFECT; SEVERABILITY

This Agreement may not be assigned by any party hereto without the other party's written consent; provided, however, that Buyer shall have the right to assign this Agreement

- 50 -

LUCENT TECHNOLOGIES/CELESTICA

and to assign its rights and delegate its duties under this Agreement in whole or in part at any time with the prior written consent of Seller to any wholly-owned subsidiary of Celestica Inc. incorporated in one of the states of the United States of America, provided that Buyer shall not, as a result of such assignment, be discharged from its obligations hereunder. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the successors, legal representatives and permitted assigns of each party hereto. The provisions of this Agreement are severable, and in the event that any one or more provisions are deemed illegal or unenforceable the remaining provisions shall remain in full force and effect unless the deletion of such provision shall cause this Agreement to become materially adverse to either party, in which event the parties shall use reasonable commercial efforts to arrive at an accommodation that best preserves for the parties the benefits and obligations of the offending provision.

#### 10.5 GOVERNING LAW

THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK IRRESPECTIVE OF THE CHOICE OF LAWS PRINCIPLES OF THE STATE OF NEW YORK, AS TO ALL MATTERS, INCLUDING MATTERS OF VALIDITY, CONSTRUCTION, EFFECT, ENFORCEABILITY, PERFORMANCE AND REMEDIES.

#### 10.6 EXECUTION IN COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

#### 10.7 PUBLIC ANNOUNCEMENT

Upon signing of this Agreement, Seller and Buyer shall prepare a mutually agreeable release announcing the transaction contemplated hereby. Except for such press release, neither Seller nor Buyer shall, without the approval of the other, make any press release or other announcement concerning the existence of this Agreement or the terms of the transactions contemplated by this Agreement, except as and to the extent that any such party shall be so obligated by Law, in which case the other party shall be advised and the parties shall use their reasonable commercial efforts to cause a mutually agreeable release or announcement to be issued; PROVIDED, HOWEVER, that the foregoing shall not preclude communications or disclosures necessary to comply with accounting, stock exchange or applicable securities Law disclosure obligations.

#### 10.8 NO THIRD-PARTY BENEFICIARIES

Nothing in this Agreement, express or implied, is intended to or shall (a) confer on any Person other than the parties hereto and their respective successors or assigns any rights (including Third-Party beneficiary rights), remedies, obligations or liabilities under or by reason of this Agreement, or (b) constitute the parties hereto as partners or as participants in a joint venture. This Agreement shall not provide Third Parties with any remedy, claim, liability, reimbursement, cause of action or other right in excess of those existing without

- 51 -

#### LUCENT TECHNOLOGIES/CELESTICA

reference to the terms of this Agreement. Nothing in this Agreement shall be construed as giving to any Business Employee, or any other individual, any right or entitlement under any Benefit Plan, policy or procedure maintained by Seller, except as expressly provided in such Benefit Plan, policy or procedure. No Third Party shall have any rights under Section 502, 503 or 504 of ERISA or any regulations thereunder because of this Agreement that would not otherwise exist without reference to this Agreement. No Third Party shall have any right, independent of any right that exist irrespective of this Agreement, under or granted by this Agreement, to bring any suit at law or equity for any matter governed by or subject to the provisions of this Agreement.

#### 11. TERMINATION AND WAIVER

##### 11.1 TERMINATION

This Agreement may be terminated at any time prior to the Closing Date by:

- (a) MUTUAL CONSENT. The mutual written consent of Buyer and Seller;
- (b) COURT OR ADMINISTRATIVE ORDER. Buyer or Seller if there shall be in effect a non-appealable order of a court or government administrative agency of competent jurisdiction prohibiting the consummation of the transactions contemplated hereby.
- (c) DELAY. Buyer or Seller if the Closing shall not have occurred by September 30, 2001, provided that the terminating party is not otherwise in material default or breach of this Agreement.

##### 11.2 EFFECT OF TERMINATION

In the event of the termination of this Agreement in accordance with Section 11.1, this Agreement shall become void and have no effect, without any liability on the part of any party or its directors, officers or stockholders, except for the obligations of the parties hereto as provided in Article 6, Sections 10.2 and 10.7 and this Section 11.2.

11.3 WAIVER OF AGREEMENT

Any term or condition hereof may be waived at any time prior to the Closing Date by the party hereto which is entitled to the benefits thereof by action taken by its Board of Directors or its duly authorized officer or employee, whether before or after the action of such party; PROVIDED, HOWEVER, that such action shall be evidenced by a written instrument duly executed on behalf of such party by its duly authorized officer or employee. The failure of either party to enforce at any time any provision of this Agreement shall not be construed to be a waiver of such provision nor shall it in any way affect the validity of this Agreement or the right of such party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to constitute a waiver of any other or subsequent breach.

- 52 -

LUCENT TECHNOLOGIES/CELESTICA

11.4 AMENDMENT OF AGREEMENT

This Agreement may be amended with respect to any provision contained herein at any time prior to or on the Closing Date by action of the parties hereto taken by their Boards of Directors or by their duly authorized officers or employees, whether before or after such party's action; PROVIDED, HOWEVER, that such amendment shall be evidenced by a written instrument duly executed on behalf of each party by its duly authorized officer or employee.

- 53 -

LUCENT TECHNOLOGIES/CELESTICA

IN WITNESS WHEREOF, each party has caused this Agreement to be duly executed on its behalf by its duly authorized officer as of the date first written above.

LUCENT TECHNOLOGIES INC.

By: /s/ Rocco D. Pennella

-----  
Name: Rocco D. Pennella  
Title:

CELESTICA CORPORATION

By: /s/ Rahul Suri

-----  
Name: Rahul Suri  
Title: Authorized Signatory

- 54 -

LUCENT TECHNOLOGIES/CELESTICA

CONFIDENTIAL MATERIALS  
OMITTED AND FILED  
SEPARATELY WITH THE  
SECURITIES AND  
EXCHANGE COMMISSION.  
ASTERISKS DENOTE OMISSIONS.

EXHIBIT 3.10

ASSET PURCHASE AGREEMENT

BY AND BETWEEN

LUCENT TECHNOLOGIES INC.

AS SELLER

AND

CELESTICA CORPORATION

AS BUYER

DATED AS OF JULY 24, 2001

LUCENT TECHNOLOGIES/CELESTICA

TABLE OF CONTENTS

	Page
	----
1.	
Definitions.....	1
1.1 Defined Terms.....	1
1.2 Other Definitional and Interpretive Matters.....	9
2.	
Purchase and Sale of the Business.....	10

2.1	Purchase and Sale of Assets.....	10
2.2	Excluded Assets.....	11
2.3	Purchase Price.....	12
2.4	Assumed Liabilities.....	13
2.5	Excluded Liabilities.....	14
2.6	Further Assurances; Further Conveyances and Assumptions; Consent of Third Parties.....	14
2.7	No Licenses.....	15
2.8	Bulk Sales Law.....	15
2.9	Taxes.....	15
2.10	Inventory Put-Back.....	16
3.	Representations and Warranties of Seller.....	16
3.1	Organization and Qualification.....	16
3.2	Authorization; Binding Effect.....	16
3.3	Non-Contravention; Consents.....	17
3.4	Title to Property; Principal Equipment; Sufficiency of Assets.....	17
3.5	Permits, Licenses.....	18
3.6	Real Estate.....	18
3.7	Compliance With Laws; Litigation.....	19
3.8	Business Employees.....	19
3.9	Contracts.....	20
3.10	Environmental Matters.....	21
3.11	Financial Statement; Absence of Changes.....	22
3.12	Intellectual	
	Property.....	22
3.13	Brokers.....	23
3.14	Inventory.....	23
3.15	Full Disclosure.....	23
3.16	Projections.....	23
3.17	No Other Representations or Warranties.....	24
4.	Representations and Warranties of Buyer.....	24
4.1	Organization and Qualification.....	24
4.2	Authorization; Binding Effect.....	24
4.3	No Violations.....	25
4.4	Brokers.....	25
4.5	No Other Seller Representations and Warranties.....	25
4.6	Sufficiency of Funds.....	26
5.	Certain Covenants.....	26
5.1	Access and Information.....	26
5.2	Conduct of Business.....	28
5.3	Tax Reporting and Allocation of Consideration.....	28

-i-

LUCENT TECHNOLOGIES/CELESTICA

Page  
----

5.4	Business Employees.....	29
5.5	Collateral Agreements; Leased Equipment.....	31
5.6	Regulatory Compliance.....	31
5.7	Contacts with Suppliers, Employees and Customers.....	32
5.8	No Negotiation or Solicitation.....	32
5.9	Use of Lucent's Name.....	32
5.10	Environmental.....	34



5.11	SEC Disclosure.....	38
5.12	Schedule Updates.....	38
5.13	Surplus Assets.....	38
5.14	Business Services Agreement.....	39
6.	Confidential Nature of Information.....	39
6.1	Confidentiality Agreement.....	39
6.2	Seller's Proprietary Information.....	39
7.		
	Closing.....	41
7.1	Deliveries by Seller.....	41
7.2	Deliveries by Buyer.....	41
7.3	Closing Date.....	42
7.4	Contemporaneous Effectiveness.....	42
7.5	Risk of Loss for Purchased Assets.....	42
8.	Conditions Precedent to Closing.....	43
8.1	General Conditions.....	43
8.2	Conditions Precedent to Buyer's Obligations.....	43
8.3	Conditions Precedent to Seller's Obligations.....	44
9.	Status of Agreements.....	44
9.1	Effect of Breach.....	44
9.2	Survival of Representations and Warranties.....	45
9.3	General Agreement to Indemnify.....	45
9.4	General Procedures for Indemnification.....	47
9.5	Breach of Representations Resulting in Limitation of Obligations Under the Supply Agreement.....	48
10.	Miscellaneous Provisions.....	48
10.1	Notices.....	48
10.2	Expenses.....	49
10.3	Entire Agreement; Modification.....	49
10.4	Assignment; Binding Effect; Severability.....	50
10.5	Governing Law.....	50
10.6	Execution in Counterparts.....	50
10.7	Public Announcement.....	50
10.8	No Third-Party Beneficiaries.....	51
11.	Termination and Waiver.....	51
11.1		
	Termination.....	51
11.2	Effect of Termination.....	51
11.3	Waiver of Agreement.....	52
11.4	Amendment of Agreement.....	52

-ii-

## LUCENT TECHNOLOGIES/CELESTICA

### Schedules

SCHEDULE 1.1(d)	Principal Equipment
SCHEDULE 2.1(g)	Licenses
SCHEDULE 2.1(h)	Governmental Permits
SCHEDULE 2.2(f)	Excluded Contracts
SCHEDULE 2.2(i)	Certain Excluded Assets
SCHEDULE 3.3(b)	Required Consents
SCHEDULE 3.6(a)	Premises
SCHEDULE 3.6(b)	Buildings
SCHEDULE 3.6(c)	Repairs
SCHEDULE 3.7(a)	Compliance with Laws
SCHEDULE 3.7(b)	Litigation
SCHEDULE 3.8(a)	Business Employees
SCHEDULE 3.8(b)	Benefit Plans
SCHEDULE 3.9	Material Contracts
SCHEDULE 3.10	Environmental Matters
SCHEDULE 3.11	Financial Statements
SCHEDULE 3.12(b)	Intellectual Property
SCHEDULE 3.16	Projections
SCHEDULE 4.3(b)	Buyer Consents
SCHEDULE 5.2	Exceptions to Seller's Conduct of Business

EXHIBITS

EXHIBIT A      Form of Assignment and Bill of Sale  
EXHIBIT B      Form of Assumption Agreement  
EXHIBIT C      Form of Intellectual Property Agreement  
EXHIBIT D      Form of Lease  
EXHIBIT E      Form of Supply Agreement  
EXHIBIT F      Form of Transition Services Agreement  
EXHIBIT G      Business Services Term Sheet  
EXHIBIT H      Form of Access Agreement

-iii-

LUCENT TECHNOLOGIES/CELESTICA

AGREEMENT FOR THE PURCHASE AND SALE OF ASSETS

THIS AGREEMENT FOR THE PURCHASE AND SALE OF ASSETS ("AGREEMENT") is made as of July 24, 2001 by and between LUCENT TECHNOLOGIES INC., a Delaware corporation, having an office at 600-700 Mountain Avenue, Murray Hill, New Jersey 07974-0636 ("SELLER" or "LUCENT"), and CELESTICA CORPORATION, a Delaware corporation, having an office at Pease International Tradeport, Attn. EXA03, 72 Pease Boulevard, Newington, New Hampshire 03801 ("BUYER").

R E C I T A L S

A. WHEREAS, Seller is, among other things, engaged through its Switching and Access Group at the Premises (as hereinafter defined) in the manufacturing and repair of printed circuit board assemblies and manufactured equipment and cable for switching and access products (collectively, the "BUSINESS");

B. WHEREAS, the Business is composed of certain assets and liabilities that are currently part of Seller;

C. WHEREAS, Seller desire to sell, transfer and assign to Buyer, and Buyer desires to purchase and assume from Seller, the Purchased Assets (as hereinafter defined), and Buyer is willing to assume, the Assumed Liabilities (as hereinafter defined), in each case as more fully described and upon the terms and subject to the conditions set forth herein; and

D. WHEREAS, Seller and Buyer desire to enter into each Assignment and Bill of Sale, each Assumption Agreement, the Supply Agreement, the Intellectual Property Agreement, the Transition Services Agreement, the Lease and the Access Agreement (collectively, the "COLLATERAL AGREEMENTS").

NOW, THEREFORE, in consideration of the mutual agreements and covenants herein contained and intending to be legally bound hereby, the parties hereto hereby agree as follows:

1.            DEFINITIONS

1.1          DEFINED TERMS

For the purposes of this Agreement, in addition to the words and phrases that are described throughout the body of this Agreement, the following words and phrases shall have the following meanings:

"ACCESS AGREEMENT" means the agreement substantially in the form set forth as Exhibit H.

"AFFILIATE" of any Person means any Person that controls, is controlled by, or is under common control with such Person. "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such entity, whether through ownership of voting securities or other interests, by contract or otherwise.

LUCENT TECHNOLOGIES/CELESTICA

"AGREEMENT" has the meaning assigned in the preamble hereof.

"ASSET ACQUISITION STATEMENT" has the meaning assigned in Section 5.3(b).

"ASSIGNMENT AND BILL OF SALE" means each agreement in substantially the form set forth as Exhibit A.

"ASSUMED LIABILITIES" means the liabilities and obligations of Seller assumed by Buyer pursuant to the Assumption Agreement and Section 2.4.

"ASSUMPTION AGREEMENT" means each agreement in substantially the form set forth as Exhibit B.

"BENEFIT PLAN" means, in respect of any Business Employee, each "employee benefit plan," as defined in Section 3(3) of ERISA (including any "multiemployer plan" as defined in Section 3(37) of ERISA) and each profit-sharing, bonus, stock option, stock purchase, stock ownership, pension, retirement, severance, deferred compensation, excess benefit, supplemental unemployment, post-retirement medical or life insurance, welfare or incentive plan, or sick leave, long-term disability, medical, hospitalization, life insurance, other insurance plan, or other employee benefit plan, program or arrangement, whether written or unwritten, qualified or non-qualified, funded or unfunded, maintained or contributed to by Seller.

"BUSINESS" has the meaning assigned in Recital A hereof.

"BUSINESS DAY" means a day that is not a Saturday, a Sunday or a statutory or civic holiday in the State of New York or any other day on which the principal offices of Seller or Buyer are closed or become closed prior to 2:00 p.m. local time.

"BUSINESS EMPLOYEES" means the employees of Seller employed in the Business and identified on SCHEDULE 3.8(a).

"BUSINESS RECORDS" means all books, records, ledgers and files or other similar information used primarily in the conduct of the Business, including price lists, customer lists, vendor lists, mailing lists, warranty information, catalogs, sales promotion literature, advertising materials, brochures, records of operation, standard forms of documents, manuals of operations or business procedures, research materials and product testing reports required by any national, federal, state, provincial or local court, administrative body or other Governmental Body of any country, but excluding any such items to the extent (i) they are included in, or primarily related to, any Excluded Assets or Excluded Liabilities, (ii) any applicable Law prohibits their transfer, or (iii) they are confidential personnel records.

"BUYER" has the meaning assigned in the preamble hereof.

"CERCLA" means the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. Section 9601 ET SEQ. as amended.

LUCENT TECHNOLOGIES/CELESTICA

"CLOSING" means the closing of the transactions described in Article 7.

"CLOSING BALANCE SHEET" has the meaning assigned in Section 2.3(c).

"CLOSING DATE" means August 31, 2001 or such later date as Seller and Buyer may mutually agree provided that such date is not later than December 31, 2001.

"CODE" means the U.S. Internal Revenue Code of 1986, as amended.

"COLLATERAL AGREEMENTS" has the meaning assigned in Recital D hereof.

"COLUMBUS APA" means the Asset Purchase Agreement dated as of the date hereof between Seller and Buyer relating to the sale of Seller's manufacturing facility in Columbus, Ohio.

"CONFIDENTIALITY AGREEMENT" shall mean the agreement between Seller and Buyer dated March 14, 2001.

"CONTRACTS" means all Third-Party contracts, agreements, leases and subleases, supply contracts, purchase orders, sales orders and instruments used or held for use in each case primarily in the conduct of the Business, that will be in effect on the Closing Date to which Seller is a party, (i) for the lease of furniture, office equipment or Leased Equipment, as contemplated by Section 5.5(b), (ii) for the provision of goods or services by the Business or for the Business, (iii) for the purchase of goods or supplies that would constitute Inventory, that is required in the opinion of Buyer to satisfy Buyer's obligations for current production requirements under the Supply Agreement as at the Closing Date and that cannot be satisfied by the Purchased Inventory or (iv) any such contracts, agreements, instruments and leases referred to in clauses (i) - (iii), inclusive, entered into between the date hereof and outstanding as of the Closing Date by Seller, but "Contracts" excludes the Excluded Contracts.

"CONTROL" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such entity, whether through ownership of voting securities or other interests, by contract or otherwise.

"COUNSEL FOR BUYER" means Davies Ward Phillips & Vineberg LLP.

"COUNSEL FOR SELLER" means a corporate counsel of Seller.

"CUT-OFF BALANCE SHEET" has the meaning assigned in Section 2.3 (b).

"CUT-OFF NET ASSET VALUE" has the meaning assigned in Section 2.3(b).

"EFFECTIVE TIME" means 11:59 pm (Eastern Standard Time) on the Closing Date.

"ENCUMBRANCE" means any lien, claim, charge, security interest, mortgage, pledge, easement, conditional sale or other title retention agreement, covenant or other similar

- 3 -

#### LUCENT TECHNOLOGIES/CELESTICA

restrictions or third party rights affecting the Purchased Assets other than Permitted Encumbrances.

"ENVIRONMENTAL LAW" means any local, county, state or federal Law that governs the existence of or provides a remedy for release of Hazardous Substances, the protection of persons, natural resources or the environment, the management of Hazardous Substances, or other activities involving Hazardous Substances including, without limitation, under CERCLA, the Resources Conservation and Recovery Act, the Clean Water Act, the Clean Air Act or any other similar federal, state, local or county Laws and occupational, health and safety Laws.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"EXCLUDED ASSETS" means the properties and assets of the Business excluded from the Purchased Assets by Section 2.2.

"EXCLUDED CONTRACTS" means those Contracts (i) identified in SCHEDULE 2.2(f), (ii) under which performance by Seller or an Affiliate has been completed and for which there is no remaining warranty, maintenance, or support obligation, (iii) relating to any General Purchase Agreement, and (iv) relating to Excluded Assets or Excluded Liabilities.

"EXCLUDED LEASED EQUIPMENT" has the meaning assigned in Section 5.5(b).

"EXCLUDED LIABILITIES" means the liabilities and obligations that are not assumed by Buyer as provided in Section 2.5.

"FINAL NET ASSET VALUE" has the meaning assigned in Section 2.3(c)

"FINANCIAL STATEMENTS" has the meaning assigned in Section 3.11(a).

"FIXTURES AND SUPPLIES" means all furniture, furnishings and other tangible personal property owned by Seller and used or held for use primarily in the conduct of the Business and located on the Premises, including desks, tables, chairs, file cabinets and other storage devices and office supplies but excluding any such items related to Excluded Assets or Excluded Liabilities.

"GENERAL PURCHASE AGREEMENTS" shall mean Third-Party supply contracts or other agreements between Seller or its Affiliates and a Third Party pursuant to which Seller or its Affiliates purchase products or services from such Third-Party for any of Seller's or its Affiliates businesses other than solely for the Business.

"GOVERNMENTAL BODY" means any legislative, executive or judicial unit of any governmental entity (foreign, federal, state or local) or any department, commission, board, agency, bureau, official or other regulatory, administrative or judicial authority thereof.

"GOVERNMENTAL PERMITS" means all governmental permits and licenses, certificates of inspection, registrations, approvals or other authorizations issued to Seller with respect to the

- 4 -

#### LUCENT TECHNOLOGIES/CELESTICA

Business or the Premises or necessary for the operation of the Business or the Premises as currently conducted under applicable Laws.

"HAZARDOUS SUBSTANCE" means any substance that is regulated under any Environmental Law or is deemed by any Environmental Law to be "hazardous", "toxic", a "contaminant", a "waste" or a "pollutant".

"HSR ACT" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"INDEMNIFIED PARTY" has the meaning assigned in Section 9.3(a).

"INDEMNIFYING PARTY" has the meaning assigned in Section 9.4(a).

"INITIAL BALANCE SHEET" has the meaning assigned in Section 3.11(a).

"INITIALLY TRANSFERRED EMPLOYEES" has the meaning assigned in Section 5.4(a).

"INTELLECTUAL PROPERTY AGREEMENT" means the agreement in substantially the form set forth as EXHIBIT C.

"INVENTORY" means all inventory, wherever located, including raw materials, work in process, recycled materials, repair material, finished products (to the extent that such finished products can be utilized with additional added value in the production of orderable items), inventoriable supplies, and non-capital spare parts owned by Seller and used or held for use primarily in the conduct of the Business, and any rights of Seller to the warranties received from suppliers and any related claims, credits, rights of recovery and setoff with respect to such Inventory, but only to the extent such rights are assignable, but excluding any inventory related to Excluded Assets or Excluded Liabilities.

"IRS" means the U.S. Internal Revenue Service.

"LAWS" shall mean any applicable national, foreign, federal, state, provincial or local law, statute, ordinance, rule, regulation, code, order, judgment, injunction or decree of any Governmental Body.

"LEASE" means the lease to be entered into between Seller and Buyer relating to all of the Premises in substantially the form set forth as EXHIBIT D.

"LEASED EQUIPMENT" means the computers, servers, machinery and equipment and other similar items leased and used by Seller primarily in the conduct of the Business but excluding any such items related to Excluded Assets or Excluded Liabilities.

"LICENSED INTELLECTUAL PROPERTY" means the Proprietary Information of Seller licensed to Buyer or any of Buyer's Affiliates pursuant to, and as specifically identified and set forth in, the Intellectual Property Agreement or the Supply Agreement.

- 5 -

LUCENT TECHNOLOGIES/CELESTICA

"LICENSES" means all licenses, agreements and other arrangements identified on Schedule 2.1(g) under which Seller has the right to use any Proprietary Information of a Third Party to the extent used or held for use primarily in the conduct of the Business but not the Nonassignable Licenses or any such items related to Excluded Assets or Excluded Liabilities.

"LOSSES" has the meaning assigned in Section 9.3(a).

"LSP" has the meaning assigned in Section 5.4(e).

"LTSSP" has the meaning assigned in Section 5.4(e).

"LUCENT" has the meaning assigned in the preamble hereof.

"BUSINESS SERVICES AGREEMENT" means the management and labor services agreement entered into by Seller and Buyer pursuant to Section 5.14 hereof.

"MATERIAL ADVERSE EFFECT" means any condition or event that has a material and adverse effect upon the financial condition or results of operations of the Business taken as a whole, other than any condition or event arising out of or resulting from actions of Buyer in connection with this Agreement.

"MATERIAL CONTRACTS" has the meaning assigned in Section 3.9.

"MATERIAL UNCERTAINTY" has the meaning assigned in Section 2.3(b).

"NET ASSET VALUE" means the sum of the value of the Inventory (valued at net book value) plus the value of the Principal Equipment, the Fixtures and Supplies, and the Premises (each valued at net book value) less the value of the Assumed Liabilities referred to in Section 2.4, that are reflected specifically on the Initial Balance Sheet, the Cut-Off Balance Sheet or the Closing Balance Sheet, as applicable.

"NONASSIGNABLE ASSETS" has the meaning assigned in Section 2.6(b).

"NONASSIGNABLE LICENSES" means those licenses of third party Proprietary Information to which Seller or one of its Affiliates is the licensee that are (i) not by their terms assignable to Buyer, or (ii) related to other businesses of Seller or one of its Affiliates and not primarily to the Business, or (iii) licenses under any patent of any third party.

"NON-REPRESENTED EMPLOYEES" shall mean the non-represented employees of the Business employed at the Premises. Such Non-Represented Employees who accept Buyer's offer of employment in accordance with Section 5.4(a), as of the effective date of their employment with Buyer, shall be referred to as "Transferred Non-Represented Employees".

"PENSION PLAN" has the meaning assigned in Section 3.8(b).

"PERMITTED ENCUMBRANCES" means any (i) liens for Taxes, assessments and other governmental charges or of landlords, liens of carriers, warehouseman, mechanics and

LUCENT TECHNOLOGIES/CELESTICA

material men incurred in the ordinary course of business, in each case for sums not yet due and payable or due but not delinquent or being contested in good faith by appropriate proceedings, (ii) liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases government contracts, performance and return of money bonds and similar obligations; provided that such liens are related to obligations which are not due or delinquent, are not registered as Encumbrances against title to any of the Purchased Assets and adequate holdbacks are being maintained as required by applicable legislation, (iii) purchase money liens, arising in the ordinary course of business and limited to the property acquired (iv) licenses granted by Seller or an Affiliate in connection with sales of products in the ordinary course of business which do not in the aggregate materially detract from the value of the Purchased Assets or materially interfere with the use thereof in the operation of the Business, and (v) any Encumbrance or minor imperfection in title and minor encroachments, if any, not material in amount that, individually or in the aggregate, do not materially interfere with the conduct of the Business or with the use of the Purchased Assets and do not materially affect the value of the Purchased Assets.

"PERSON" means any individual, corporation, partnership, firm, association, joint venture, joint stock company, trust, unincorporated organization or other entity, or any government or regulatory, administrative or political subdivision or agency, department or instrumentality thereof.

"PREMISES" means the real property that is owned and used by Seller primarily in the conduct of the Business identified on SCHEDULE 3.6(a).

"PRINCIPAL EQUIPMENT" means the computers, servers, machinery and equipment and other similar items used by Seller primarily in the conduct of the Business (including, without limitation, all items which are identified in SCHEDULE 1.1(d)) but not the Leased Equipment or any such items related to Excluded Assets or Excluded Liabilities. Principal Equipment includes rights to the warranties received from the manufacturers and distributors of said items and to any related claims, credits, rights of recovery and setoff with respect to said items, but only to the extent such rights are assignable.

"PROPRIETARY INFORMATION" means industrial and intellectual property under the laws of the United States, Canada and other jurisdictions, including all: (i) trade secrets, confidential information and confidential know-how, including all unpatented inventions, customer and supplier lists, formulae, systems, methodologies, ideas, concepts, processes, documents, works, designs, prototypes, materials, technologies, inventor's notes, blueprints, unpublished studies and data, libraries, research designs, research results and notes, prototypes, drawings, design and construction specifications, production, operating and quality control manuals, technical manuals, marketing strategies, and current or proposed business opportunities; (ii) copyrights and all waivers of moral rights associated with copyrights, including all copyrights and moral rights in software, and also rights to graphic design and user interface elements and "look and feel", and databases; (iii) industrial designs, design patents and other designs; (iv) mask works and integrated circuit topographies; (v) patents; (vi) registered and

LUCENT TECHNOLOGIES/CELESTICA

unregistered trade-marks, service marks, sound marks, trade names, brand names, trade dress, indicia, distinguishing guises, logos, insignia, designs, business names, domain names, Internet protocol addresses and classes of Internet protocol addresses, any other source or business identifiers and fictitious characters, and all goodwill associated with the foregoing; and all

registrations, applications for registration, reissues, extensions, renewals, divisions, continuations and continuations-in-part relating to the foregoing.

"PURCHASE PRICE" has the meaning assigned in Section 2.3(a).

"PURCHASED ASSETS" has the meaning assigned in Section 2.1.

"PURCHASED INVENTORY" means Inventory which is required by Buyer for the performance of Buyer's obligations under the Supply Agreement for a period of twelve (12) months following the Closing Date and which is supported by Seller's projected demand as of the date hereof for the twelve (12) month period following the Closing Date.

"PURCHASED LEASED EQUIPMENT" has the meaning assigned in Section 5.5(b).

"REASONABLE COMMERCIAL EFFORTS" means that the obligated party is required to make a diligent, reasonable and good faith effort to accomplish the applicable objective. Such obligation, however, does not require an expenditure of funds or the incurrence of a liability on the part of the obligated party, nor does it require that the obligated party act in a manner that would be contrary to normal commercial practices in order to accomplish the objective. The fact that the objective is or is not actually accomplished is no indication that the obligated party did or did not in fact utilize its reasonable commercial efforts in attempting to accomplish the objective.

"REPRESENTED EMPLOYEES" shall mean the employees of the Business represented by the Union and employed at the Premises. Such Represented Employees who accept Buyer's offer of employment in accordance with Section 5.4(a), as of the effective date of their employment with Buyer, shall be referred to as "TRANSFERRED REPRESENTED EMPLOYEES".

"REQUIRED CONSENT" has the meaning assigned in Section 3.3(b).

"SELLER" has the meaning assigned in the preamble hereof.

"SUBSEQUENTLY TRANSFERRED EMPLOYEES" has the meaning assigned in Section 5.4(a).

"SUBSIDIARY" means (a) any corporation in an unbroken chain of corporations beginning with Seller, if each of the corporations other than the last corporation in the unbroken chain then owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain, (b) any partnership in which Seller is a general partner or (c) any partnership, corporation, limited liability company or similar entity that Seller controls, through the ownership of interests or otherwise.

- 8 -

LUCENT TECHNOLOGIES/CELESTICA

"SUPPLY AGREEMENT" means the agreement in substantially the form set forth as EXHIBIT E.

"TAXES" means all taxes of any kind, charges, fees, customs, levies, duties, imposts, required deposits or other assessments, including, without limitation, all net income, capital gains, gross income, gross receipt, property, franchise, sales, use, excise, withholding, payroll, employment, social security, worker's compensation, unemployment, occupation, capital stock, ad valorem, value added, transfer, gains, profits, net worth, asset, transaction, taxes, and other taxes and interest, penalties, or additions to tax with respect thereto imposed upon any Person by any Governmental Body under applicable Law.

"THIRD PARTY" means any Person not an Affiliate of the other referenced Person or Persons.

"THIRD-PARTY CLAIM" has the meaning assigned in Section 9.4(a).



"TRANSFER DATE" has the meaning assigned in Section 5.4(a).

"TRANSFERRED EMPLOYEES" shall mean the Transferred Non-Represented Employees and the Transferred Represented Employees.

"TRANSITION SERVICES AGREEMENT" means the agreement in substantially the form set forth as EXHIBIT F.

"UNION" shall mean the International Brotherhood of Electrical Workers and the Security, Police, and Fire Professionals of America.

## 1.2 OTHER DEFINITIONAL AND INTERPRETIVE MATTERS

Unless otherwise expressly provided, for purposes of this Agreement, the following rules of interpretation shall apply:

CALCULATION OF TIME PERIOD. When calculating the period of time before which, within which or following which any act is to be done or step taken pursuant to this Agreement, the date that is the reference date in calculating such period shall be excluded. If the last day of such period is a non-Business Day, the period in question shall end on the next succeeding Business Day.

GENDER AND NUMBER. Any reference in this Agreement to gender shall include all genders, and words imparting the singular number only shall include the plural and vice versa.

HEADINGS. The provision of a Table of Contents, the division of this Agreement into Articles, Sections and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect or be utilized in construing or interpreting this Agreement. All references in this Agreement to any "Section" are to the corresponding Section of this Agreement unless otherwise specified.

- 9 -

## LUCENT TECHNOLOGIES/CELESTICA

HEREIN. The words such as "HEREIN," "HEREINAFTER," "HEREOF," and "HEREUNDER" refer to this Agreement as a whole and not merely to a subdivision in which such words appear unless the context otherwise requires.

INCLUDING. The word "INCLUDING" or any variation thereof means "INCLUDING, WITHOUT LIMITATION" and shall not be construed to limit any general statement that it follows to the specific or similar items or matters immediately following it.

KNOWLEDGE. Where any matter is stated to be within Seller's knowledge in this Agreement, Seller shall be deemed for purposes of this Agreement to have the knowledge of the relevant facts that a senior manager of Seller with responsibility for the relevant matter would reasonably have after due inquiry.

SCHEDULES AND EXHIBITS. The Schedules and Exhibits attached to this Agreement shall be construed with and as an integral part of this Agreement to the same extent as if the same had been set forth verbatim herein.

## 2. PURCHASE AND SALE OF THE BUSINESS

### 2.1 PURCHASE AND SALE OF ASSETS

Upon the terms and subject to the conditions of this Agreement and in reliance on the representations and warranties contained herein, on the Closing Date, Seller shall grant, bargain, sell, transfer, assign, convey and deliver to Buyer, and Buyer shall purchase, acquire and accept from Seller, all of the right, title and interest in, to and under the Purchased Assets that Seller possesses and has the right to transfer as the same shall exist on the Closing Date. For purposes of this Agreement, "PURCHASED ASSETS" shall mean all the assets, properties and rights used by Seller, whether tangible or intangible, real, personal or mixed, set forth or described in Sections 2.1(a) through 2.1(i), inclusive (except in each case for the Excluded Assets), whether or not any of such assets, properties or rights have any value for accounting purposes or are carried or reflected on or specifically referred to in Seller's financial

statements:

- (a) the Principal Equipment and the Purchased Leased Equipment;
- (b) the Fixtures and Supplies;
- (c) the Purchased Inventory;
- (d) the license grant to the Licensed Intellectual Property (but only to the extent specifically set forth in the Intellectual Property Agreement or the Supply Agreement);
- (e) the Contracts;
- (f) the Licenses;
- (g) the Business Records; and

- 10 -

LUCENT TECHNOLOGIES/CELESTICA

- (h) the Governmental Permits that are identified on SCHEDULE 2.1(h) but only to the extent that such Governmental Permits are assignable or transferable to Buyer and not to the extent that Buyer directs in writing Seller not to assign or transfer the same (which Buyer agrees to do to the extent such Governmental Permits are not required by Buyer by law).

2.2 EXCLUDED ASSETS

Notwithstanding the provisions of Section 2.1, it is hereby expressly acknowledged and agreed that the Purchased Assets shall not include, and Seller is not selling, transferring, assigning, conveying or delivering to Buyer, and Buyer is not purchasing, acquiring or accepting from Seller, the following (the rights, properties and assets expressly excluded by this Section 2.2 or otherwise excluded by the terms of Section 2.1 from the Purchased Assets being referred to herein as the "EXCLUDED ASSETS"):

- (a) any of Seller's or any of its Affiliate's receivables, cash, bank deposits or similar cash items or employee receivables;
- (b) any Proprietary Information owned by Seller or any Affiliate as of the Closing Date other than certain specified rights in the Licensed Intellectual Property as expressly provided under the Intellectual Property Agreement or the Supply Agreement;
- (c) any (i) confidential personnel records and medical records (other than medical records relating to occupational health and safety requirements and training records relating to the Business Employees), subject to Section 2.6(a) below, pertaining to any Business Employee; (ii) other books and records that Seller or any Affiliate is required by Law to retain or that Seller determines are necessary or advisable to retain; PROVIDED, HOWEVER, that Buyer shall have the right to make copies of any portions of such retained books and records that relate to the Business or any of the Purchased Assets; and (iii) any information management system of Seller or any Affiliate other than those used primarily in the conduct of the Business and contained within computer hardware included as a Purchased Asset pursuant to Section 2.1;
- (d) any claim, right or interest of Seller or any Affiliate in or to any refund, rebate, abatement or other recovery for Taxes, together with any interest due thereon or penalty rebate arising therefrom, for any periods prior to the Closing Date;
- (e) all "Lucent Technologies" marked sales and marketing or packaging materials, samples, prototypes, other similar Lucent

Technologies identified sales and marketing or packaging materials and any marketing studies;

- (f) the Excluded Contracts and the Nonassignable Licenses;
- (g) any insurance policies or rights of proceeds thereof;

- 11 -

LUCENT TECHNOLOGIES/CELESTICA

- (h) the Excluded Leased Equipment;
- (i) the property or assets specifically identified on SCHEDULE 2.2(i);
- (j) any of Seller's or any Affiliate's rights, claims or causes of action against Third Parties relating to the assets, properties, business or operations of Seller or any Affiliate arising out of transactions occurring prior to, and including, the Closing Date; and
- (k) all other assets, properties, interests and rights of Seller or any Affiliate not related primarily to the Business.

2.3 PURCHASE PRICE

(a) In consideration of the sale, transfer, assignment, conveyance and delivery by Seller of the Purchased Assets (other than the license grant of Licensed Intellectual Property referred to in Section 2.1(e)) to Buyer, and in addition to assuming the Assumed Liabilities, Buyer shall pay to Seller at the Closing, \$310,400,000 (as may be adjusted in accordance with this Section 2.3) (the "PURCHASE PRICE"). The payment to be made by Buyer to Seller in respect of the Purchase Price on the Closing Date shall be made in cash by wire transfer of immediately available funds to an account designated by Seller's written instructions to Buyer at least two (2) Business Days prior to Closing, prior to the Closing Date. In addition to the foregoing, the Buyer shall pay to the Seller at the Closing \$68,240,000 of the payment made for the license grant of Licensed Intellectual Property pursuant to Section 6.01 of the Intellectual Property Agreement.

(b) On the date which is five (5) Business Days prior to the Closing Date (the "Cut-Off Date"), Seller shall prepare and deliver to Buyer an unaudited balance sheet of the Business as of the Cut-Off Date substantially in the form of the Initial Balance Sheet (the "CUT-OFF BALANCE SHEET"). Seller agrees to deliver to Buyer all drafts of the Cut-Off Balance Sheet prepared by Seller from and after the date hereof and prior to and in connection with the preparation of the final Cut-Off Balance Sheet. Buyer shall be given full access to the relevant records and working papers used by Seller to prepare the Cut-Off Balance Sheet and Seller and Buyer shall jointly conduct a physical inventory of the Principal Equipment and the Purchased Inventory prior to and in connection with the preparation of the Cut-Off Balance Sheet. Within two (2) Business Days of the last to occur of the following: (i) receipt of the Cut-Off Balance Sheet, (ii) full access to the relevant records and working papers and (iii) the conduct of the physical inventory of the Principal Equipment and the Purchased Inventory, Buyer shall advise Seller whether it believes that the Cut-Off Balance Sheet materially reflects the balance sheet of the Business as of the Cut-Off Date. In the event Buyer agrees with the Cut-Off Balance Sheet, the Purchase Price shall be adjusted to reflect the Net Asset Value as reflected on the Cut-Off Balance Sheet (the "CUT-OFF NET ASSET VALUE"). In the event Buyer disagrees with the Cut-Off Balance Sheet, the parties shall use their respective best good faith efforts to resolve such disagreement within five (5) days of receipt by Buyer of the Cut-Off Balance Sheet; PROVIDED, HOWEVER, that if the parties cannot come to an agreement within such five (5) day period, then on the Closing Date the Purchase Price shall be adjusted to reflect the Cut-Off Net Asset Value.

- 12 -

LUCENT TECHNOLOGIES/CELESTICA

(c) In the event that the parties cannot agree on the Cut-Off Net Asset Value by the Closing Date, Buyer shall, within forty-five (45) days following the Closing Date, give written notice to Seller of any proposed changes to be made to the Cut-Off Balance Sheet or of its inability to confirm whether such balance sheet has been prepared in a manner consistent with the preparation of the Initial Balance Sheet (a "MATERIAL UNCERTAINTY"), describing the change or Material Uncertainty and the basis for the change or Material Uncertainty in reasonable detail. Failure to so notify Seller shall constitute acceptance and approval of the Cut-Off Balance Sheet. If Seller agrees that a proposed change is appropriate, the change shall be made to the Cut-Off Balance Sheet. If Seller does not agree that any proposed change is appropriate, and Buyer and Seller cannot agree on the treatment of the proposed change, the Seller and Buyer shall select an auditor from a national certified public accounting firm, other than the Seller's or the Buyer's external auditors, who shall decide if the change is appropriate, and the Cut-Off Balance Sheet will be adjusted in accordance with such auditor's decision. The balance sheet so adjusted shall be referred to as the "CLOSING BALANCE SHEET." Buyer and Seller shall each pay one-half of the reasonable fee charged by such auditor.

(d) The Closing Balance Sheet shall include a calculation of the Net Asset Value of the Business as of the Closing Date (such amount as set forth in the Closing Balance Sheet, the "FINAL NET ASSET VALUE"). If the Cut-Off Net Asset Value is less than the Final Net Asset Value by an amount in excess of \$1 million, Buyer shall pay the amount by which the Final Net Asset Value exceeds the Cut-Off Net Asset Value to Seller, and if the Cut-Off Net Asset Value is greater than the Final Net Asset Value by an amount in excess of \$1 million, Seller shall pay the amount by which the Cut-Off Net Asset Value exceeds the Final Net Asset Value to Buyer. Any such payment shall be made on or before fifty (50) calendar days after the Closing Date, and any such payment shall be considered an addition or reduction, as applicable, to the Purchase Price.

#### 2.4 ASSUMED LIABILITIES

On the Closing Date, Buyer shall execute and deliver to Seller the one or more Assumption Agreements pursuant to which Buyer shall accept, assume and agree to pay, perform or otherwise discharge, in accordance with the respective terms and subject to the respective conditions thereof, the liabilities and obligations of Seller pursuant to and under the Assumed Liabilities. "ASSUMED LIABILITIES" shall mean all liabilities and obligations set forth in this Section 2.4, whether or not any such obligation has a value for accounting purposes or is carried or reflected on or specifically referred to in either Seller's books or financial statements:

- (a) the amount owed to Initially Transferred Employees in respect of the accrued but unused vacation of such Initially Transferred Employees assumed by Buyer in accordance with Section 5.4(g);
- (b) the liabilities and obligations arising on or after the Closing Date under the transferred Contracts, Licenses and Government Permits;
- (c) the Permitted Encumbrances; and

- 13 -

#### LUCENT TECHNOLOGIES/CELESTICA

- (d) the obligations and liabilities with respect to the Business or the Purchased Assets, known or unknown, absolute or contingent, arising on or after the Closing Date, and the obligations and liabilities with respect to the Transferred Employees arising on or after their Transfer Date, in each case known or unknown, absolute or contingent.

#### 2.5 EXCLUDED LIABILITIES

Buyer shall not assume or be obligated to pay, perform or otherwise assume or discharge any liabilities or obligations of Seller or any of its

Affiliates, whether direct or indirect, known or unknown, absolute or contingent, except for the Assumed Liabilities (all of such liabilities and obligations not so assumed being referred to herein as the "EXCLUDED LIABILITIES").

2.6 FURTHER ASSURANCES; FURTHER CONVEYANCES AND ASSUMPTIONS; CONSENT OF THIRD PARTIES

(a) From time to time following the Closing, Seller hereby agrees to make available, or to cause its Affiliates to make available, to Buyer non-confidential data in personnel records of Transferred Employees as is reasonably necessary for Buyer to transition such employees into Buyer's records.

(b) From time to time following the Closing, Seller and Buyer shall, and shall cause their respective Affiliates to, execute, acknowledge and deliver all such further conveyances, notices, assumptions, releases and acquittances and such other instruments, and shall take such further actions, as may be necessary or appropriate to assure fully to Buyer and its respective successors or assigns, all of the properties, rights, titles, interests, estates, remedies, powers and privileges intended to be conveyed to Buyer under this Agreement and the Collateral Agreements and to assure fully to Seller and its Affiliates and their successors and assigns, the assumption of the liabilities and obligations intended to be assumed by Buyer under this Agreement and the Collateral Agreements, and to otherwise make effective the transactions contemplated hereby and thereby.

(c) Nothing in this Agreement nor the consummation of the transactions contemplated hereby shall be construed as an attempt or agreement to assign any Purchased Asset, including any Contract, License, Governmental Permit, certificate, approval, authorization or other right, which by its terms or by Law is nonassignable without the consent of a Third Party or a Governmental Body or is cancellable by a Third Party in the event of an assignment ("NONASSIGNABLE ASSETS") unless and until such consents shall be given. Seller agrees, and agrees to cause its Affiliates, to cooperate with Buyer at its request to use reasonable commercial efforts to obtain such consents promptly; PROVIDED, HOWEVER, that such cooperation shall not require Seller or any of its Affiliates to remain secondarily liable or to make any payment to obtain any such consent with respect to any Nonassignable Asset.

(d) Buyer and Seller agree to use their respective reasonable commercial efforts to obtain, or to cause to be obtained, any consent, substitution, approval, or amendment

- 14 -

LUCENT TECHNOLOGIES/CELESTICA

required to novate all obligations under any and all Contracts or other obligations or liabilities that constitute Assumed Liabilities or to obtain in writing the unconditional release of Seller and its Affiliates so that, in any such case, Buyer and its Affiliates shall be solely responsible for such liabilities and obligations. To the extent permitted by applicable Law, in the event consents to the assignment thereof cannot be obtained, such Nonassignable Assets shall be held, as and from the Closing Date, by Seller or its Affiliates in trust for Buyer and the covenants and obligations thereunder shall be performed by Buyer in Seller's or one of its Affiliate's name and all benefits and obligations existing thereunder shall be for Buyer's account. Seller shall take or cause to be taken at Buyer's expense such action in its name or otherwise as Buyer may reasonably request so as to provide Buyer with the benefits of the Nonassignable Assets and to effect collection of money or other consideration to become due and payable under the Nonassignable Assets, and Seller or its Affiliates shall promptly pay over to Buyer all money or other consideration received by it in respect to all Nonassignable Assets.

(e) As of and from the Closing Date, Seller on behalf of itself and its Affiliates authorizes Buyer, to the extent permitted by applicable Law and the terms of the Nonassignable Assets, at Buyer's expense, to perform all the obligations and receive all the benefits of Seller or its Affiliates under the Nonassignable Assets and appoints Buyer its attorney-in-fact to act in its name on its behalf or in the name of the applicable Affiliate of Seller and on such Affiliate's behalf with respect thereto.

2.7 NO LICENSES

Unless expressly set forth in the Intellectual Property Agreement or the Supply Agreement, no title, right or license of any kind is granted to Buyer pursuant to this Agreement with respect to Seller's or any of its Affiliate's Proprietary Information, either directly or indirectly, by implication, by estoppel or otherwise.

2.8 BULK SALES LAW

Buyer hereby waives compliance by Seller with the requirements and provisions of any "bulk-transfer" Laws of any jurisdiction, including Article 6 of the New York Commercial Code, that may otherwise be applicable with respect to the sale of any or all of the Purchased Assets to Buyer.

2.9 TAXES

(a) Buyer shall pay all applicable Taxes and all recording and filing fees that may be imposed, assessed or payable by reason of the operation or as a result of this Agreement including the sales, transfers, leases, rentals, licenses, and assignments contemplated hereby, except for Seller's net income and capital gains taxes or franchise or other taxes based on Seller's net income.

(b) Buyer shall be responsible for all Taxes attributable to, levied upon or incurred in connection with the Purchased Assets pertaining to the period (or that portion of the period) immediately beginning after the Closing Date. Seller shall be responsible for all

- 15 -

LUCENT TECHNOLOGIES/CELESTICA

Taxes attributable to, levied upon or incurred in connection with the Purchased Assets pertaining to the period (or that portion of the period) prior to or on the Closing Date.

2.10 INVENTORY PUT-BACK

In the event that any of the Purchased Inventory is not used by Buyer in the period commencing on the first Business Day following the Closing Date and ending on the first anniversary of the Closing Date to fulfill its obligations to Seller under the Supply Agreement (other than Purchased Inventory which has been or is required to be returned to or purchased by Seller pursuant to the Supply Agreement) ("REMAINING PURCHASED INVENTORY"), Buyer shall have the right to cause Seller to purchase up to ninety million dollars (US\$90,000,000) of the Remaining Purchased Inventory as specified below, upon providing Seller with a notice setting forth the amount of such Remaining Purchased Inventory and applicable purchase price. The purchase price of the Remaining Purchased Inventory shall be equal to the purchase price paid by Buyer to Seller for the Remaining Purchased Inventory hereunder, provided that the aggregate amount of the purchase price payable by Seller to Buyer for the Remaining Purchased Inventory under this Section 2.10 and Section 2.10 of the Columbus APA shall not exceed ninety million dollars (US\$90,000,000). Seller shall pay the purchase price applicable to the Remaining Purchased Inventory no later than ten (10) Business Days following the receipt of the aforementioned notice.

3. REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants to Buyer that:

3.1 ORGANIZATION AND QUALIFICATION

Seller is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware and has all requisite corporate power and authority to carry on the Business as currently conducted and to own or lease and operate the Purchased Assets. Seller is duly qualified to do business and is in good standing as a foreign corporation (in any jurisdiction that recognizes such concept) in each jurisdiction where the ownership or operation of the Purchased Assets or the conduct of the Business requires such

qualification, except for failures to be so qualified or in good standing, as the case may be, that, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

### 3.2 AUTHORIZATION; BINDING EFFECT

(a) Seller has all requisite corporate power and authority to execute and deliver this Agreement and the Collateral Agreements to which it will be a party and to effect the transactions contemplated hereby and thereby and has duly authorized the execution, delivery and performance of this Agreement and the Collateral Agreements to which it will be a party by all requisite corporate action.

(b) This Agreement has been duly executed and delivered by Seller and this Agreement is, and the Collateral Agreements when duly executed and delivered by Seller

- 16 -

### LUCENT TECHNOLOGIES/CELESTICA

will be, valid and legally binding obligations of Seller, enforceable against it in accordance with their respective terms, except to the extent that enforcement of the rights and remedies created hereby and thereby may be affected by bankruptcy, reorganization, moratorium, insolvency and similar Laws of general application affecting the rights and remedies of creditors and by general equity principles.

### 3.3 NON-CONTRAVENTION; CONSENTS

(a) Assuming that all Required Consents listed in SCHEDULE 3.3(b) have been obtained, the execution, delivery and performance of this Agreement by Seller and the Collateral Agreements by Seller and the consummation of the transactions contemplated hereby and thereby do not and will not: (i) result in a breach or violation of any provision of Seller's charter or by-laws (ii) violate or result in a breach of or constitute an occurrence of default under any provision of, result in the acceleration or cancellation of any obligation under, or give rise to a right by any party to terminate or amend its obligations under, any mortgage, deed of trust, conveyance to secure debt, note, loan, indenture, lien, lease, license agreement, instrument, order, judgment, decree or other arrangement or commitment to which Seller is a party or by which it is bound and which relates to the Business or the Purchased Assets, which violation, breach or default, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect or (iii) violate any order, judgment, decree, rule or regulation of any court or any Governmental Body having jurisdiction over Seller or the Purchased Assets, and which violation, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(b) No consent, approval, order or authorization of, or registration, declaration or filing with, any Person is required to be obtained by Seller in connection with the execution and delivery of this Agreement and the Collateral Agreements to which Seller will be a party or for the consummation of the transactions contemplated hereby or thereby by Seller, except for (i) any filings required to be made under the HSR Act and any applicable filings required under foreign antitrust Laws, (ii) consents or approvals of Third Parties that are required to transfer or assign to Buyer any Purchased Assets which are material to the Business or assign the benefits of or delegate performance with regard thereto as identified on SCHEDULE 2.1(f) and SCHEDULE 3.9, (iii) those set forth in SCHEDULE 3.3(b) (items (i), (ii) and (iii) being referred to herein as the "REQUIRED CONSENTS"), and (iv) such consents, approvals, orders, authorizations, registrations, declarations or filings where failure of compliance, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

### 3.4 TITLE TO PROPERTY; PRINCIPAL EQUIPMENT; SUFFICIENCY OF ASSETS

(a) Seller has and at the Closing will have good and valid title to, or a valid and binding leasehold interest or license in, all real and personal tangible Purchased Assets free and clear of any Encumbrance except for Permitted Encumbrances.

(b) Each material item of Principal Equipment is in reasonable operating condition, in light of its respective age, for the purposes for which it is currently being used, but is otherwise being transferred on a "where is" and, as to condition, "as is" basis.

- 17 -

LUCENT TECHNOLOGIES/CELESTICA

(c) Except for (i) the assets that will be used in connection with providing services under the Transition Services Agreement, and (ii) the Excluded Assets, the Purchased Assets and the Business Employees and the rights to be acquired under this Agreement and the Collateral Agreements (including the services to be provided pursuant to the Transition Services Agreement) constitute all assets, personnel and rights that are used in and are necessary to conduct the Business as currently conducted by Seller. In the event this Section 3.4(c) is breached because Seller has failed to identify, transfer or license any assets, properties or Proprietary Information or provide any services used in the Business, such breach shall be deemed cured if Seller promptly transfers such properties or assets, licenses such Proprietary Information or provides such services to Buyer, and Buyer shall have no further remedy with respect thereto other than with respect to losses that arise prior to such transfer, license or provision of services.

3.5 PERMITS, LICENSES

(a) Except as set forth on SCHEDULE 2.1(h), there are no material Governmental Permits necessary for or used by Seller to operate the Business as now being operated or to use or occupy the Premises, which Governmental Permits are required by currently effective Laws.

(b) Each Governmental Permit identified on SCHEDULE 2.1(h) is valid and in full force and effect, and Seller is not in default or breach thereof other than any such default or breach which, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. To Seller's knowledge, no proceeding is pending or threatened to revoke or limit any such Governmental Permit. Seller has provided to Buyer a true and complete copy of each such Governmental Permit, including all amendments thereto.

3.6 REAL ESTATE

(a) SCHEDULE 3.6(a) contains a complete and accurate list of the Premises. Seller has good and valid title to the Premises. Except as set forth on SCHEDULE 3.6(a), none of such Premises are subject to any Encumbrance except for Permitted Encumbrances.

(b) To Seller's knowledge, except as disclosed in SCHEDULE 3.6(b), all buildings, structures, improvements and appurtenances situated on the Premises are in reasonably good operating condition and in a state of reasonably good maintenance and repair and are adequate and suitable in all material respects for the purposes for which they are currently being used, and Seller has adequate rights of ingress and egress for the operation of the Business in the ordinary course. To Seller's knowledge, except as disclosed in SCHEDULE 3.6(b), none of such buildings, structures, improvements or appurtenances (or any equipment thereon), nor the operation or maintenance thereof, violates any restrictive covenant or any provision of any applicable Law or encroaches on any property owned by any Third Party.

(c) To Seller's knowledge, except as disclosed in SCHEDULE 3.6(c):

- (i) no material alteration, repair, improvement or other work has been ordered, directed or requested in writing to be done or performed to or

- 18 -

LUCENT TECHNOLOGIES/CELESTICA



in respect of the Premises or to any of the plumbing, heating, elevating, water, drainage or electrical systems, fixtures or works by any Governmental Body, which material alteration, repair, improvement or other work has not been completed, and to Seller's knowledge, written notification has not been given to it of any such outstanding work being ordered, directed or requested, other than those which have been complied with;

- (ii) all accounts for work and services performed and materials placed or furnished upon or in respect of the Premises at the request of Seller have been paid and satisfied in all material respects, and no Person is entitled to claim an Encumbrance against the Premises or any part thereof, other than for current accounts in respect of which the payment due date has not yet passed;
- (iii) there is nothing material owing in respect of the Premises by Seller to any Governmental Body or to any other entity owning or operating a public utility for water, gas, electrical power or energy, steam or hot water, or for the use thereof, other than current accounts in respect of which the payment due date has not yet passed; and
- (iv) no part of the Premises has been taken or expropriated by any Governmental Body, nor has any notice or proceeding in respect thereof been given or commenced.

### 3.7 COMPLIANCE WITH LAWS; LITIGATION

(a) Except as set forth on SCHEDULE 3.7(a), with respect to the Business conducted by it, Seller is in compliance in all material respects with all applicable Laws and all decrees, orders, judgments, permits and licenses of or from Governmental Bodies except for failures to comply that, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

(b) Except as set forth on SCHEDULE 3.7(b), there are no actions, suits, proceedings or governmental investigations pending or, to Seller's knowledge, threatened against it that, individually or in the aggregate, could be reasonably expected to have a Material Adverse Effect.

### 3.8 BUSINESS EMPLOYEES

(a) SCHEDULE 3.8(a) contains a complete and accurate list of all the Business Employees as of the date specified on such list, showing for each Business Employee the position held and aggregate annual compensation (including bonuses and commissions) for Seller's last fiscal year. Except as set forth on SCHEDULE 3.8(a), none of the Business Employees is covered by any union, collective bargaining or other similar labor agreements. On or before the Transfer Date for each Subsequently Transferred Employee Seller shall

- 19 -

LUCENT TECHNOLOGIES/CELESTICA

provide Buyer with such Subsequently Transferred Employee's position held and aggregate annual compensation (including bonuses and commissions) for Seller's last fiscal year.

(b) Except as set forth in SCHEDULE 3.8(b), with respect to all Business Employees, Seller does not currently maintain, contribute to or have any liability under any Benefit Plan. With respect to each of the Benefit Plans identified on SCHEDULE 3.8(b), Seller has made available to Buyer true and complete copies of the most recent summary plan or other written description. Each Benefit Plan listed on SCHEDULE 3.8(b) has been operated in material compliance with applicable law, including ERISA. Each Benefit Plan which is an

"employee pension benefit plan" within the meaning of Section 3(2) of ERISA ("PENSION PLAN") and which is intended to be qualified under Section 401(a) of the Code, has received a favorable determination letter from the Internal Revenue Service with respect to "TRA" (as defined in Section 1 of Rev. Proc. 93-39), and Seller is not aware of any circumstances likely to result in revocation of any such favorable determination letter. Except as disclosed on SCHEDULE 3.8(b), Seller does not have any obligations for retiree health and life benefits under any Benefit Plan or has ever represented, promised or contracted (whether in oral or written form) to any employee(s) that such employee(s) would be provided with retiree health or life benefits.

(c) Except as disclosed in SCHEDULE 3.7(b), as relates to the Business, there is not presently pending or existing, and to Seller's knowledge there is not threatened, (i) any strike, slowdown, picketing, or work stoppage, (ii) any application for certification of a collective bargaining agent and (iii) any grievance proceeding threatened or initiated by the Represented Employees, which grievance proceeding could reasonably be expected to have a Material Adverse Effect on the Business or a material adverse effect on the operation of the Business after the Closing Date.

### 3.9 CONTRACTS

SCHEDULE 3.9 contains a complete and accurate list of all outstanding Contracts that would require over the full term thereof payments by or to Seller of more than \$250,000 (the "MATERIAL CONTRACTS"). Each of such Material Contracts is valid, binding and enforceable against Seller and, to Seller's knowledge, the other parties thereto in accordance with its terms and is in full force and effect. Except as set forth on SCHEDULE 3.9, Seller has performed, in all material respects, all of the obligations required by it and is not in default or alleged to be in default in respect of, any Material Contract. Except as set forth on SCHEDULE 3.9, Seller has not received any notice that it is in default or breach of or is otherwise delinquent in performance under any such Material Contracts which default or breach could reasonably be expected to have a Material Adverse Effect, and, to Seller's knowledge, each of the other parties thereto has performed in all material respects all obligations required to be performed by it under, and is not in default in any material respect under, any of such Material Contracts and no event has occurred that, with notice or lapse of time, or both, would constitute such a default. Each of the outstanding Contracts that is (i) not a Material Contract and (ii) which would require over the full term thereof payments by or to Seller of more than \$20,000, is valid, binding and enforceable against Seller and, to Seller's knowledge, the other parties thereto in accordance with its terms, and is in full force

- 20 -

### LUCENT TECHNOLOGIES/CELESTICA

and effect, in each case except where the failure of any such Contract to be valid, binding and enforceable or in full force and effect, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. For purposes of this Section 3.9 only (other than with respect to the first sentence of this Section 3.9), Material Contracts will also include such Licenses which would require over the full term thereof payments by or to Seller of more than \$250,000.

### 3.10 ENVIRONMENTAL MATTERS

Except as may be set forth in SCHEDULE 3.10 and in respect of the Business and the Purchased Assets:

- (a) the operations of the Business and the Premises comply in all material respects with all applicable Environmental Laws;
- (b) Seller has obtained all environmental, health and safety and other Environmental Law required Governmental Permits necessary for its operations, and all such Governmental Permits are in good standing and Seller is in compliance with all terms and conditions of such Governmental Permits except where the failure to obtain, maintain in good standing or be in compliance with, such Governmental Permits, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Affect;

- (c) neither the Business nor any of the Premises included in the Purchased Assets or the operations of the Business, is subject to any on-going investigation, of which Seller has been notified, or other proceedings by, order from or agreement with any Person respecting (i) any Environmental Law, or (ii) any remedial action arising from the release or threatened release of a Hazardous Substance into the environment;
- (d) Seller, in respect of the Business, has filed all notices required to be filed under any Environmental Law indicating past or present treatment, storage or disposal of a Hazardous Substance or reporting a spill or release of a Hazardous Substance into the environment except where the failure to file any such notices could not reasonably be expected to have a Material Adverse Effect;
- (e) to Seller's knowledge, there are no aboveground or underground storage tanks on or in any Premises included in the Purchased Assets;
- (f) to Seller's knowledge, Seller has not received any written notice to the effect that it is or may be liable to any Person as a result of the release or threatened release of a Hazardous Substance; and
- (g) Seller has (i) delivered to Buyer true and complete copies of all material asbestos and other environmental and occupational health and safety reports

- 21 -

#### LUCENT TECHNOLOGIES/CELESTICA

and documents disclosing or relating to the presence of asbestos or other Hazardous Substances in, on, under or from the Premises and (ii) provided Buyer the opportunity to copy or inspect all material environmental and occupational health and safety reports and other documents pertaining to, and purporting to describe, environmental, health and safety matters with respect to the Business.

#### 3.11 FINANCIAL STATEMENT; ABSENCE OF CHANGES

(a) The unaudited balance sheet attached hereto as SCHEDULE 3.11 (the "Initial Balance Sheet") with respect to the Business fairly present in all material respects the material assets of the Business as of June 30, 2001 and has been prepared according to U.S. GAAP and is based on the internal accounting principles used historically by Seller. The statement of costs for fiscal 2000 contained in the Descriptive Memorandum, dated March 14, 2001, provided by Seller to Buyer in connection with the sale of the Business presents fairly in all material respects the costs incurred by the Business for the period referred to therein and has been prepared based on the internal accounting principles used historically by Seller.

(b) Except as set forth on SCHEDULE 3.11, since June 30, 2001, Seller has conducted and operated the Business in the ordinary course and the Business has not suffered any change that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Affect.

#### 3.12 INTELLECTUAL PROPERTY

(a) Seller or Lucent Technologies GRL Corporation ("Lucent GRL") owns or has a valid right to grant the licenses in all of the Licensed Intellectual Property.

(b) Except as set forth on SCHEDULE 3.12(b), no litigation has been instituted or is pending, or, to the knowledge of Seller's Intellectual Property Law Group, has been threatened in writing which challenge the rights of Seller or any Subsidiary in respect of the Licensed Intellectual Property, excluding immaterial assertions of rights which have not been presented in the form of a specific claim or demand, with respect to the operation of the Business by

Seller or the Subsidiaries as of the date hereof with respect to the Purchased Assets. To the knowledge of Seller's Intellectual Property Law Group, SCHEDULE 3.12(b) sets forth a list of all notices or claims received by and suits or proceedings pending or, which have been threatened in writing against Seller, which notices, claims, suits or proceedings assert infringement or misappropriation of any intellectual property rights of a Third Party as a result of any activities of Seller at the Premises, excluding immaterial assertions of rights which have not been presented in the form of a specific claim or demand, with respect to the operation of the Business by Seller or the Subsidiaries as of the date hereof with respect to the Purchased Assets.

(c) At the Closing, Seller or Lucent GRL will provide, by licenses to Buyer and/or one or more of Buyer's Affiliates, in accordance with the Intellectual Property Agreement, all of the Proprietary Information owned by Seller or any of its Affiliates as of

- 22 -

#### LUCENT TECHNOLOGIES/CELESTICA

the Closing Date and which Seller or its Affiliates has a right to license which is necessary for Buyer or its Affiliates to manufacture, test, service and/or repair Lucent Products (as defined in the Intellectual Property Agreement) or is used in or necessary to conduct the Business as currently conducted by Seller. In the event this Section 3.12(c) is breached because Seller has failed to license any such Proprietary Information, such breach shall be deemed cured if Seller promptly licenses such Proprietary Information and Buyer shall have no further remedy with respect thereto other than with respect to losses that arise prior to such license. Notwithstanding the foregoing, under no circumstances shall Seller be required to grant to Buyer a license, right, or other permission to use the trademarks "Lucent," "Lucent Technologies," "Bell Labs" or the Lucent Innovation Ring logo.

#### 3.13 BROKERS

Other than J.P. Morgan Securities Inc. and PricewaterhouseCoopers, the fees and expenses of which will be paid by Seller, no broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Seller or any Affiliate.

#### 3.14 INVENTORY

The Inventory as reflected in the Initial Balance Sheet (i) is stated at book value, and (ii) is of quality and quantity usable or saleable in the ordinary course of the Business, except for obsolete items and items of below-standard quality that have been written down in the Initial Balance Sheet to net realizable values.

#### 3.15 FULL DISCLOSURE

Neither this Agreement nor any document to be delivered by Seller nor any certificate, report, statement or other document furnished by Seller pursuant to the terms of this Agreement contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading.

#### 3.16 PROJECTIONS

Seller has delivered to Buyer the financial projections (which are attached hereto as SCHEDULE 3.16) (the "Projections"). The Projections were prepared by Seller for its internal use. Seller makes no representation or warranty regarding the accuracy of the Projections or whether such projected results may be achieved, but does represent and warrant to Buyer that the Projections were prepared in good faith based on assumptions believed by Seller to be reasonable based on Seller's current outlook for Seller's business for the period of time covered by the Projections.

- 23 -

3.17 NO OTHER REPRESENTATIONS OR WARRANTIES

Except for the representations and warranties contained in this Section 3, none of Seller, any Affiliate or any other Person makes any representations or warranties, and Seller hereby disclaims any other representations or warranties, whether made by Seller or any Affiliate, or any of their officers, directors, employees, agents or representatives, with respect to the execution and delivery of this Agreement or any Collateral Agreement, the transactions contemplated hereby or the Business, notwithstanding the delivery or disclosure to Purchaser or its representatives of any documentation or other information with respect to any one or more of the foregoing. Notwithstanding anything to the contrary herein, no representation or warranty contained in this Section 3 is intended to, or do, cover or otherwise pertain to any assets that are not included in the Purchased Asset or any liabilities that are not included in the Assumed Liabilities.

4. REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller that:

4.1 ORGANIZATION AND QUALIFICATION

Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and Buyer has all requisite corporate power and authority to carry on its business as currently conducted and to own or lease and operate its properties. Buyer is duly qualified to do business and is in good standing as a foreign corporation (in any jurisdiction that recognizes such concept) in each jurisdiction where the ownership or operation of its assets or the conduct of its business requires such qualification, except for failures to be so qualified or in good standing, as the case may be, that, individually or in the aggregate, could not reasonably be expected to have a material adverse effect on Buyer's business taken as a whole.

4.2 AUTHORIZATION; BINDING EFFECT

(a) Buyer has all requisite corporate power and authority to execute and deliver this Agreement and the Collateral Agreements to which it shall be a party and to effect the transactions contemplated hereby and thereby and has duly authorized the execution, delivery and performance of this Agreement and the Collateral Agreements to which it shall be a party by all requisite corporate action.

(b) This Agreement has been duly executed and delivered by Buyer and this Agreement is, and the Collateral Agreements when duly executed and delivered by Buyer will be, valid and legally binding obligations of Buyer, enforceable against it in accordance with their terms, except to the extent that enforcement of the rights and remedies created hereby and thereby may be affected by bankruptcy, reorganization, moratorium, insolvency and similar Laws of general application affecting the rights and remedies of creditors and by general equity principles.

- 24 -

4.3 NO VIOLATIONS

(a) The execution, delivery and performance of this Agreement and the Collateral Agreements by Buyer and the consummation of the transactions contemplated hereby and thereby do not and will not (i) result in a breach or violation of any provision of Buyer's charter or by-laws, (ii) violate or result in a breach of or constitute an occurrence of default under any provision of, result in the acceleration or cancellation of any obligation under, or give rise to a right by any party to terminate or amend its obligations under, any material mortgage, deed of trust, conveyance to secure debt, note, loan,

indenture, lien, lease, license, agreement, instrument, order, judgment, decree or other material arrangement or commitment to which Buyer is a party or by which it or its assets or properties are bound, or (iii) violate any material order, judgment, decree, rule or regulation of any court or any Governmental Body having jurisdiction over Buyer or any of its properties.

(b) Except as set forth on SCHEDULE 4.3(b), no consent, approval, order or authorization of, or registration, declaration or filing with, any Person is required to be obtained by Buyer in connection with the execution and delivery of this Agreement and the Collateral Agreements or the consummation of the transactions contemplated hereby or thereby other than (i) any filings required to be made under the HSR Act and any applicable filings required under foreign antitrust Laws, and (ii) such consents, approvals, orders, authorizations, registrations, declarations or filings where failure of compliance would not, individually or in the aggregate, could not reasonably be expected to have a material adverse effect on Buyer's ability to consummate the transactions contemplated hereby.

#### 4.4 BROKERS

No broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the transactions contemplated by this Agreement based on arrangements made by or on behalf of Buyer or an Affiliate.

#### 4.5 NO OTHER SELLER REPRESENTATIONS AND WARRANTIES

(a) With respect to the Purchased Assets, the Business, or any other rights or obligations to be transferred hereunder or under the Collateral Agreements or pursuant hereto or thereto, Buyer has not been induced by and has not relied upon any representations, warranties or statements, whether express or implied, made by Seller, any Affiliate, or any agent, employee, attorney or other representative of Seller or by any Person representing or purporting to represent Seller that are not expressly set forth in this Agreement or in the Collateral Agreements (including the Schedules and Exhibits hereto and thereto), whether or not any such representations, warranties or statements were made in writing or orally.

(b) Buyer acknowledges that it has made its own assessment of the future of the Business and is sufficiently experienced to make an informed judgment with respect thereto; provided that this shall not be construed in any way to mitigate or otherwise affect the representations and warranties made by Seller hereunder or under the Collateral Agreements or pursuant hereto or thereto, all of which shall continue to survive in full force and effect for

- 25 -

LUCENT TECHNOLOGIES/CELESTICA

the benefit of Buyer in accordance with the terms hereof and thereof. Buyer further acknowledges that, except as expressly set out in Section 3.16, neither Seller nor any Affiliate has made any warranty, express or implied, as to the future of the Business or its profitability for Buyer, or with respect to any forecasts, projections or business plans prepared by or on behalf of Seller and delivered to Buyer in connection with the Business and the negotiation and the execution of this Agreement.

(c) To the extent reasonably apparent from its context, disclosure by Seller on any one Schedule delivered pursuant to this Agreement following the date hereof and until the Closing Date in accordance with Section 5.12, shall be disclosure as to all such Schedules and, to the extent such disclosure conflicts with any representation, warranty or covenant of Seller, Seller shall have no liability for breach of any such representation, warranty or covenant relating to such conflicts; provided, in the event that any Schedule delivered pursuant to this Agreement is modified, Seller shall use reasonable efforts to provide Buyer with such modified Schedule in a reasonably timely manner and in any event Seller shall provide Buyer with such modified Schedules no later than the fifth Business Day prior to the Closing Date.

#### 4.6 SUFFICIENCY OF FUNDS

Buyer (i) has funds available to pay the Purchase Price and any

expenses incurred by Buyer in connection with the transactions contemplated by this Agreement; (ii) has the resources and capabilities (financial or otherwise) to perform hereunder and under the Collateral Agreements; and (iii) has not incurred any obligation, commitment, restriction or liability of any kind, absolute or contingent, present or future, which would impair or adversely affect such resources and capabilities.

5. CERTAIN COVENANTS

5.1 ACCESS AND INFORMATION

(a) Seller will give, and cause its Affiliates to give, to Buyer and to its officers, employees, accountants, counsel, environmental consultants and other representatives reasonable access during Seller's or the applicable Affiliate's normal business hours throughout the period prior to the Closing to all of Seller's or the applicable Affiliate's properties, books, contracts, commitments, reports of examination and records (excluding confidential portions of personnel records) directly relating to the Business or the Purchased Assets (but excluding the Excluded Assets and Excluded Liabilities (other than those relating to environmental or occupational health and safety matters) and subject to any limitations that are reasonably required to preserve any applicable attorney-client privilege or Third-Party confidentiality obligation). Seller shall assist, and cause its Affiliates to assist, Buyer in making such investigation and shall cause its counsel, accountants, engineers, consultants and other non-employee representatives to be reasonably available to Buyer for such purposes; IT BEING UNDERSTOOD that Buyer shall reimburse Seller or the applicable Affiliate promptly for reasonable and necessary out of pocket expenses incurred by Seller or any Affiliate in complying with any such request by or on behalf of Buyer. In accordance with and subject to the foregoing, Seller shall permit environmental consultants retained by Buyer

- 26 -

LUCENT TECHNOLOGIES/CELESTICA

to conduct reasonable environmental studies of the Premises. In accordance with and subject to the foregoing, Seller shall permit environmental consultants retained by Buyer to conduct environmental studies of the Premises that are recommended by such consultants (including reasonable intrusive environmental investigations where so recommended) on a basis that does not interfere unreasonably with the ongoing operations of the Business. Seller shall have the right to review Buyer's plans for environmental studies/investigations and shall provide prompt comments. Buyer shall provide Seller with a copy of any report(s) resulting from Buyer's environmental studies/investigations which shall be subject to the same confidentiality obligations as the Reports are in Section 5.10. Seller shall not be bound by any conclusions or recommendations or findings of Buyer's consultants' studies/investigations but such shall constitute non-exclusive evidence of the information, findings, conclusions and recommendations therein. When Buyer's studies/investigations are completed, Buyer shall at its expense reasonably restore the Premises to a state not materially worse than its previous condition.

(b) After the Closing Date, Seller and Buyer will provide, and will cause their respective Affiliates to provide, to each other and to their respective officers, employees, counsel and other representatives, upon request (subject to any limitations that are reasonably required to preserve any applicable attorney-client privilege or Third-Party confidentiality obligation), reasonable access for inspection and copying of all Business Records, Governmental Permits, Licenses, Contracts and any other information existing as of the Closing Date and relating to the Business or the Purchased Assets, and will make their respective personnel reasonably available for interviews, depositions and testimony in any legal matter concerning transactions, operations or activities relating to the Business or the Purchased Assets, and as otherwise may be necessary or desirable to enable the party requesting such assistance to: (i) comply with reporting, filing or other requirements imposed by any foreign, local, state or federal court, agency or regulatory body; (ii) assert or defend any claims or allegations in any litigation or arbitration or in any administrative or legal proceeding other than claims or allegations that one party to this Agreement has asserted against the other; or (iii) subject to clause (ii) above, perform its obligations under this Agreement. The party requesting such information or assistance shall reimburse the other party for

all reasonable out-of-pocket costs and expenses incurred by such party in providing such information and in rendering such assistance. The access to files, books and records contemplated by this Section 5.1(b) shall be during normal business hours and upon not less than two (2) Business Days' prior written request by or on behalf of Buyer and shall be subject to such reasonable limitations as the party having custody or control thereof may impose to preserve the confidentiality of information contained therein.

(c) Buyer agrees to preserve all Business Records, Licenses and Governmental Permits relating to the period ending on the Closing Date and to the extent transferred to Buyer for at least seven (7) years after the Closing Date. After this seven-year period and at least ninety (90) days prior to the planned destruction of any Business Records, Licenses or Governmental Permits, Buyer shall notify Seller in writing and shall make available to Seller, upon its request, such Business Records, Licenses and Governmental Permits. Buyer further agrees that, to the extent Business Records, Licenses or Governmental Permits are placed in

- 27 -

#### LUCENT TECHNOLOGIES/CELESTICA

storage, they will be indexed in such a manner as to make individual document retrieval possible in an expeditious manner as is reasonably practicable under the circumstances.

#### 5.2 CONDUCT OF BUSINESS

From and after the date of this Agreement and until the Closing Date, except as set forth on SCHEDULE 5.2 or as otherwise contemplated by this Agreement or the Schedules hereto or as Buyer shall otherwise consent to in writing, Seller, with respect to the Business:

- (a) will carry on the Business in the ordinary course consistent with past practice;
- (b) will not permit, other than in the ordinary course of business consistent with past practice or as may be required by Law or a Governmental Body, all or any of the Purchased Assets (real or personal, tangible or intangible) presently and actively used in the operation of the Business to be sold, licensed or subjected to any Encumbrance (other than a Permitted Encumbrance granted in the ordinary course of business);
- (c) will not acquire, sell, lease, license, transfer or dispose of any asset that would otherwise be a Purchased Asset except in the ordinary course of business consistent with past practice;
- (d) will not terminate or materially extend or materially modify any Material Contract except in the ordinary course of business consistent with past practice; provided however that Seller shall provide written notice to Buyer prior to or promptly following any such termination, extension or modification;
- (e) will not do any other act which would cause any representation or warranty of Seller in this Agreement to be or become untrue in any material respect or intentionally omit to take any action necessary to prevent any such representation or warranty from being untrue in any material respect at such time; or
- (f) will not enter into any agreement or commitment with respect to any of the foregoing.

#### 5.3 TAX REPORTING AND ALLOCATION OF CONSIDERATION

(a) Seller and Buyer acknowledge and agree that (i) Seller will be responsible for and will perform all Tax withholding, payment and reporting duties with respect to any wages and other compensation paid by Seller to any Business Employee in connection with operating the Business prior to or on the Closing Date, and (ii) Buyer will be responsible for and will perform all Tax



withholding, payment and reporting duties with respect to any wages and other compensation paid by Buyer to any Transferred Employee in connection with operating the Business after the Closing Date.

- 28 -

LUCENT TECHNOLOGIES/CELESTICA

(b) Seller and Buyer recognize their mutual obligations pursuant to Section 1060 of the Code to timely file IRS Form 8594 (the "ASSET ACQUISITION STATEMENT") with each of their respective federal income tax returns. Accordingly, Seller and Buyer shall, no later than thirty (30) days after the Purchase Price adjustment pursuant to Section 2.3(b)(iii), if any, has been agreed upon, attempt in good faith to (i) enter into a Purchase Price allocation agreement providing for the allocation of the Purchase Price among the Purchased Assets consistent with the provisions of Section 1060 of the Code and the Treasury Regulations thereunder and (ii) cooperate in the preparation of the Asset Acquisition Statement in accordance with clause (i) of this paragraph for timely filing with each of their respective federal income tax returns. If Seller and Buyer shall have agreed on a Purchase Price allocation and an Asset Acquisition Statement, Seller and Buyer shall file the Asset Acquisition Statement in the form so agreed and neither Seller nor Buyer shall take a Tax position which inconsistent with such Purchase Price allocation.

5.4 BUSINESS EMPLOYEES

(a) Buyer shall make offers of employment to all Business Employees listed on Schedule 5.4 on the Closing Date, or such later date within six (6) months of the Closing Date (except to the extent required by Law) on which those individuals absent due to vacation, holiday, illness, leave of absence or disability present themselves for full-time employment with Buyer. The Business Employees listed on Schedule 3.8(a) who accept such offers of employment shall be referred to as "Initially Transferred Employees". Other employees of Seller employed in the Business shall be made available by Seller to Buyer after the Closing Date in accordance with the terms of the Business Services Agreement and may be hired by the Buyer in its discretion upon the termination of the Business Services Agreement. Any such employee hired by Buyer shall be referred to as a "Subsequently Transferred Employee", and Initially Transferred Employees and Subsequently Transferred Employees shall be referred to as "Transferred Employees". The date on which a Transferred Employee's employment with Buyer is effective shall be the "Transfer Date".

(b) Buyer shall provide for a total compensation package of salary, bonus opportunity and benefits (on an aggregate basis) to each Transferred Employee which is substantially similar to that offered by Buyer to similarly situated employees of Buyer, excepting only those Transferred Represented Employees whose terms and conditions of employment may be governed by a collective bargaining agreement negotiated between Buyer and the Union on or before the commencement of their employment. Employment by Buyer of the Transferred Represented Employees following their respective Transfer Dates shall be on terms and conditions consistent with the collective bargaining agreements entered into by Buyer and the Union, with such changes in such terms and conditions as agreed to by such parties. Buyer's 401(k) plan, severance plan, active medical, retiree medical (except for Transferred Employees who are eligible for benefits under Seller's retiree medical plan as of their respective Transfer Dates), dental, long term disability and life insurance programs, and paid time off policy shall recognize for each Transferred Employee who is a Non-Represented Employee, and Buyer's 401(k) plan, long term disability program, and paid time off policy shall recognize for each Transferred Employee who is a Represented Employee, all service with Seller, including service with predecessor employers that was recognized by

- 29 -

LUCENT TECHNOLOGIES/CELESTICA

Seller and any prior unbridged service with Seller, for purposes of determining eligibility to participate, vesting, pre-existing condition elimination period,

and for any schedule of benefits based on service. Buyer will continue to provide relocation assistance to those Transferred Employees receiving it as of their respective Transfer Dates and tuition assistance to those Transferred Employees who are receiving such benefits as of their respective Transfer Dates for the current academic session, excepting only those Transferred Represented Employees whose entitlement to such tuition or relocation assistance may have been altered or eliminated by a collective bargaining agreement negotiated between Buyer and the Union on or before the commencement of their employment. Buyer's medical and dental program shall recognize for each Transferred Employee, for purposes of satisfying any deductibles during the coverage period that includes his or her Transfer Date, any payment made by any such employee towards deductibles in any medical or dental program of Seller to the extent permitted by the insurance companies providing such benefits. Buyer shall use commercially reasonable efforts to cause the insurance companies providing such benefits to recognize such payments.

(c) Employment with Buyer of Initially Transferred Employees shall be effective as of the Business Day following the close of business on the Closing Date, except that the employment of (i) individuals receiving disability benefits or on approved leave of absence on the Closing Date will become effective as of the date they present themselves for full-time employment with Buyer within six (6) months of the Closing Date, and (ii) individuals who are in the process of applying for visas will become effective as of the date that their visas are transferred to Buyer and in the interim will continue to be employed by Seller and made available pursuant to the Business Services Agreement to Buyer who shall reimburse Seller for all direct costs of such employment.

(d) Buyer agrees that its health and welfare plans (other than its long term disability plans) shall waive any pre-existing condition exclusion (to the extent such exclusion was waived under applicable health and welfare plans offered to the Transferred Employees by Seller and to the extent permitted by the insurance companies providing such benefits to Buyer's employees) and any proof of insurability. (to the extent permitted by the insurance companies providing such benefits to Buyer's employees).

(e) For a period of six (6) months following the Closing Date, Buyer shall use reasonable commercial efforts to avoid modifying the current task assignments of the Transferred Employees if such reassignments would have a material adverse impact on the continuity of the operation of the Business or on the fulfillment of Buyer's obligations under this Agreement or the Supply Agreement.

(f) The parties acknowledge that certain Transferred Non-Represented Employees who are employed by Buyer for the period ending six months after the Closing Date will be entitled to payments in accordance with retention agreements entered into with them by Seller. Such payments shall be made promptly by Buyer to the extent funded by Seller, and the parties shall cooperate in exchanging information necessary to determine eligibility for and the amount of such payments.

- 30 -

LUCENT TECHNOLOGIES/CELESTICA

(g) Prior to the Closing Date, Seller will provide Buyer with a schedule indicating the expected accrued but unused vacation as of the Closing Date (but not in excess of 40 hours) for each Initially Transferred Employee. Promptly after the Closing Date, Seller shall update such schedule as of the Closing Date. On or before the Transfer Date for each Subsequently Transferred Employee who is a Non-Represented Employee, Seller shall provide Buyer with the same information with respect to such Subsequently Transferred Employee. Buyer shall credit each Transferred Non-Represented Employee with the accrued but unused vacation time reflected on such updated schedule, and any accrued but unused vacation in excess of 40 hours shall be paid by Seller. With respect to accrued but unused vacation for each Transferred Represented Employee, accrued but unused vacation as of the Closing Date shall be treated by Buyer in accordance with the collective bargaining agreements entered into by Buyer and the Union, with such changes in such agreements as agreed to by such parties and, to the extent not assumed by Buyer, such accrued but unused vacation shall be paid by Seller. On the relevant Transfer Date for a Subsequently Transferred

Employee, Seller shall reimburse Buyer for any accrued but unused vacation of such Subsequently Transferred Employee as of his or her Transfer Date, calculated in accordance with the foregoing provisions of this Section 5.4(g), and the amount owed to such Subsequently Transferred Employees in respect of such accrued but unused vacation shall be assumed by Buyer.

(h) Seller shall provide "continuation coverage" to any "qualified beneficiary" who is covered by a "group health plan" sponsored, maintained or contributed to by Seller and who has experienced a "qualifying event" or is receiving "continuation coverage". All terms shall be defined in accordance with Code Section 4980B and ERISA Section 601 et seq.

#### 5.5 COLLATERAL AGREEMENTS; LEASED EQUIPMENT

(a) On or prior to the Closing Date, Buyer and/or its Affiliates, as applicable, shall execute and deliver to Seller, and Seller and/or its Affiliates, as applicable, shall execute and deliver to Buyer the Collateral Agreements.

(b) On or prior to the Closing Date, Seller shall provide Buyer with the costs and other terms applicable to the leases of furniture, office equipment and Leased Equipment and Buyer shall decide whether and to what extent such furniture, office equipment and Leased Equipment will (i) (x) transfer to Buyer as of the Closing Date by Buyer assuming the leases for such furniture and/or equipment in which case such lease agreements shall be deemed Contracts hereunder, or (y) be acquired by Buyer as of the Closing Date by Buyer paying for the costs of purchasing such furniture and/or equipment pursuant to the leases (the "Purchased Leased Equipment"), or (ii) remain the property of Seller as of the Closing Date (the "Excluded Leased Equipment").

#### 5.6 REGULATORY COMPLIANCE

Buyer and Seller shall cooperate, and shall cause their respective Affiliates to cooperate, with the other in making filings under the HSR Act and any applicable filings required under foreign antitrust Laws, and each party shall use its reasonable commercial efforts to resolve such objections, if any, as the Antitrust Division of the Department of

- 31 -

#### LUCENT TECHNOLOGIES/CELESTICA

Justice or the Federal Trade Commission or state antitrust enforcement or other Governmental Body may assert under the antitrust Laws with respect to the transactions contemplated hereby. In the event an action is instituted by any Person challenging the transactions contemplated hereby as violative of the antitrust Laws, Buyer and Seller shall use, and shall cause their respective Subsidiaries to use, their respective reasonable commercial efforts to resist or resolve such action.

#### 5.7 CONTACTS WITH SUPPLIERS, EMPLOYEES AND CUSTOMERS

Without the prior written consent of Seller, which may be withheld for any reason or no reason, Buyer agrees it will not contact any suppliers to, or customers of, the Business or any Business Employees in connection with or pertaining to any subject of this Agreement.

#### 5.8 NO NEGOTIATION OR SOLICITATION

Prior to the Closing Date, Seller and its Affiliates will not (and Seller will cause each of its employees, officers and agents not to) (a) solicit, initiate, entertain or encourage the submission of any proposal or offer from any Person, other than Buyer, relating to the direct or indirect acquisition of the Business or all or any portion of the Purchased Assets (other than in the ordinary course of business), or (b) participate in any discussions or negotiations regarding, furnish any information with respect to, assist or participate in, or facilitate in any other manner any effort or attempt by any Person to do or seek any of the foregoing. Seller will notify Buyer if any Person makes any proposal, offer, inquiry or contact with respect to any of the foregoing.

#### 5.9 USE OF LUCENT'S NAME

(a) Buyer and Seller agree as follows:

- (i) Within three (3) months after the Closing Date, Buyer shall, remove "Lucent," "Lucent Technologies" or other similar mark and any other trademark, design or logo previously or currently used by Seller or any of its Affiliates (the "SELLER MARK") that is not part of the Licensed Intellectual Property from all buildings, signs and vehicles of the Business;
- (ii) Immediately after the Closing Date, Buyer shall cease using Seller Marks that are not part of the Licensed Intellectual Property in all invoices, letterhead, advertising and promotional materials, office forms or business cards;
- (iii) Within three (3) months after the Closing Date, Buyer shall cease using Seller Marks that are not part of the Licensed Intellectual Property in electronic databases, web sites, product instructions, packaging (except as provided below) and other materials, printed or otherwise (all such materials, together with buildings, signs and vehicles of the Business described in clauses (i) and (ii) above,

- 32 -

LUCENT TECHNOLOGIES/CELESTICA

"MARKED ASSETS"). Notwithstanding the foregoing, Buyer shall not be restricted in using any packaging materials that are in inventory as of the Closing Date;

- (iv) Buyer shall not be required at any time to remove any previously authorized use of Seller Marks that are not part of the Licensed Intellectual Property from inventory of the Business that is in existence as of the Closing Date ("EXISTING INVENTORY"), nor shall Buyer be required at any time to remove such Seller Marks from schematics, plans, manuals, drawings, machinery, tooling including hand tools, and the like of the Business in existence as of the Closing Date to the extent that such instrumentalities are used in the ordinary internal conduct of the Business and are not generally observed by the public or are intended for use as means to effectuate or enhance sales (such items, "MARKED INSTRUMENTALITIES"). Buyer shall use Reasonable Efforts to remove Seller Marks that are not part of the Licensed Intellectual Property from those assets of the Business that are not Marked Instrumentalities or Existing Inventory, including those assets (such as, but not limited to, tools, molds, and machines) used in association with the manufacture of the products of the Business or otherwise reasonably used in the conduct of the Business after the Closing Date (such assets, "OTHER MARKED ASSETS"). For the purposes of this Section 5.9, "REASONABLE EFFORTS" means Buyer shall remove Seller Name from such Other Marked Assets but only at such time when such asset is not operated or otherwise is taken out of service in the normal course of business due to regular maintenance or repair (but only for such repairs or maintenance where such removal could normally be undertaken, for example, repair or maintenance of a mold cavity) whichever occurs first; PROVIDED that, in no event shall Buyer use Seller Name after the date which is

six (6) months from the Closing Date. Buyer shall not be required to perform such removal on such Other Marked Assets that are not or no longer used to manufacture the products of the Business or other parts, or if discontinuance of use of such Other Marked Assets is reasonably anticipated during such time period; provided, such Other Marked Assets are not sold or otherwise transferred to a Third Party absent Lucent's prior written approval.

- (v) Seller hereby grants to Buyer a limited right to use Seller Marks with regard to the Marked Assets, Existing Inventory, Other Marked Assets and Marked Instrumentalities during the periods, if any, specified in clauses (i) - (iv) above.
- (vi) Buyer acknowledges and agrees that Lucent is the owner of Seller Marks and all goodwill attached thereto. This Agreement does not give Buyer any interest in Seller Marks except the right to use Seller

- 33 -

LUCENT TECHNOLOGIES/CELESTICA

Marks in accordance with this Agreement, the Intellectual Property Agreement and the Supply Agreement. Buyer agrees not to attempt to register Seller Marks nor to register anywhere in the world a mark same as or confusingly similar to Seller Marks.

(b) In no event shall Buyer or any Affiliate of Buyer advertise or hold itself out as Lucent or an Affiliate of Lucent after the Closing Date.

5.10 ENVIRONMENTAL

(a) At the time of Closing, Seller will ensure that no Hazardous Substances that are waste are located on the Premises or that arrangements satisfactory to Buyer, acting reasonably, are in place to promptly dispose thereof.

(b) Seller authorizes Buyer to contact any of Buyer's consultants and to obtain from such consultants any reliance letters which any of such consultants are prepared to provide. With respect to the Chatman & Associates, Inc. report entitled "Summary Report Limited Phase I Assessment Lucent Technologies Oklahoma City Facility" and dated February 27, 2001, Seller expressly authorizes and permits Buyer and parties associated with Buyer to rely upon the opinions and materials contained therein. With respect to all other environmental reports prepared for Seller's consultants, Seller conveys and provides to Buyer the same assurances of reliance that it received from the authors of such reports.

(c)

- (i) Seller acknowledges that the documents listed in Schedule 3.10 are non-exclusive evidence of pre-Closing presence or releases, spills, emissions, discharges, leaks, disposals, leaching or migration into the indoor or outdoor environment of Hazardous Substances by Lucent and consequently such Hazardous Substances as are referred to therein ("the Lucent Identified Hazardous Substances") are Hazardous Substances to which this Section 5.10 and Section 9.3(b) apply.
- (ii) Seller at its sole cost, shall promptly take all action required by Environmental Law to investigate, remediate or otherwise resolve issues related to the Lucent Identified Hazardous Substances and will retain all liability for and the responsibility to address the Lucent Identified

Hazardous Substances to the extent such are not so investigated, remediated or resolved from time to time. All action of Seller shall be conducted in a manner complying with Environmental Law and other relevant Laws and requirements of Governmental Bodies, which shall include without limitation minimizing interference (to the extent practicable) with activities of Buyer and others on the Oklahoma Premises, using reasonably competent personnel as selected by Seller to accomplish such objectives and restoring the Oklahoma Premises to a condition after such action consistent with the use of such Premises for activity of the type (i.e. industrial) presently

- 34 -

LUCENT TECHNOLOGIES/CELESTICA

conducted by Seller. To the extent engineered or institutional controls may be considered necessary by Seller, Buyer must consent to same (except to limit the use of all or part of the Oklahoma Premises to industrial use or to impose any engineered control that does not adversely affect the permitted use of the Oklahoma Premises by Buyer in accordance with the terms of the lease of the Oklahoma Premises contemplated hereby) but such consent shall not be unreasonably withheld. Seller shall bear the cost of maintaining any engineering and institutional controls. Seller will at all times keep Buyer fully informed as to progress of the remediation and Seller shall consult with Buyer with respect to key decisions.

- (iii) After Closing, Seller shall be entitled to a reasonable opportunity, including reasonable discovery from Buyer, to gather and to examine evidence as to whether an environmental, health or safety condition identified at the Premises is attributable to the pre-Closing period.
- (iv) In conjunction with, but without limitation by, Section 5.1 of this Agreement, Buyer intends to, and Seller hereby agrees that Buyer may, engage Golder Associates Ltd. (the "Consultant") to perform an environmental investigation (the "Investigation") in, on, under and, to the extent reasonably practicable, about the Oklahoma Premises with a view to discovering and recording both (A) the conditions on the Closing Date relevant to occupational health and safety and (B) the environmental condition on the Closing Date of the Oklahoma Premises and the business operations conducted thereon and of other lands to the extent affected by activities conducted on or in connection with the Oklahoma Premises (including, without limitation, the presence or release of Hazardous Substances). The Investigation will rely on previous work by Seller and Seller's consultants to the extent considered reasonable by Consultant. Seller shall make available to the Consultant all information in its possession or under the control (or which with reasonable efforts could be in the possession or under the control) of the Seller and any of its Affiliates relevant to the Investigation. Seller and Buyer and their Affiliates will use commercially reasonable efforts to cooperate with Consultant in connection with the conduct of the Investigation, including, without limitation, making their personnel reasonably available to the Consultant and its agents and representatives. The Investigation will include the conduct of a Phase I Environmental Site Assessment

complying with ASTM Standard E1527-00, enhanced to address asbestos and asbestos containing materials, lead-based paint, wetlands issues and any other items deemed appropriate by Consultant, and a Phase II Environmental Site Assessment designed to address, confirm and delineate all potential environmental conditions identified in the

- 35 -

LUCENT TECHNOLOGIES/CELESTICA

said Phase I Environmental Site Assessment, including without limitation, the following:

- (I) investigation of the areas around or potentially affected by current and formerly used underground storage tanks ("USTs") and aboveground storage tanks ("ASTs"), a former retention pond, an underground spill containment tank, a wastewater treatment facility, a former UST for collection of used motor oil, a petroleum product tank farm, former chrome plating operations, former solvent recovery operations, an acetone UST, a solvent AST and a former paint sludge and paint solvent UST;
  - (II) delineation of sources and on-site extent of existing VOC plume;
  - (III) potential Hazardous Substances in and from the transformer at the nitrogen plant; and
  - (IV) potential impacts by lead from the water tank in the northwestern portion of the Property.
- (v) The Investigation will continue following the date hereof with the intent of completing the Investigation within three months from the date hereof. Seller and Buyer acknowledge that the completion of the Investigation shall most likely occur following the Closing Date and that the completion of the Investigation shall not be a condition to the Closing.
- (vi) The reports to be produced recording matters relevant to the Investigation, including the Phase I and Phase II Environmental Site Assessments, (the "Reports") shall, among other things, set out the location, likely extent and concentration of each Hazardous Substance discovered in, on, under, about or from the Oklahoma Premises. The parties will have an opportunity to review and comment on the draft Reports upon their becoming available and before being prepared by the Consultant in final form and Consultant shall be instructed to consider and incorporate on a reasonable basis all reasonable comments of the parties. Seller shall keep the Reports confidential except that Seller shall be entitled to provide copies of the Reports on a confidential basis to such Persons reasonably determined by Seller to require such information to effectuate the provisions of this Section 5.10 as is required by applicable Law, by securities regulatory authorities and stock exchanges or in connection with any dispute relating hereto. Seller and Buyer

agree that the Reports shall constitute  
non-exclusive evidence of the environmental and

- 36 -

LUCENT TECHNOLOGIES/CELESTICA

occupational safety and health conditions of the Oklahoma Premises and Seller's business operations at or around the time of the Closing and such conditions, to the extent described by the Consultant and not constituting Lucent Disclosed Hazardous Substances are referred to as the "Golder Described EH&S Conditions".

- (vii) Buyer shall pay all fees of the Consultant in connection with the Investigation, including the preparation of and finalization of the Reports, and Seller and Buyer shall each otherwise be responsible for any costs such party incurs in connection therewith.
- (viii) Seller, at its sole cost, shall promptly take all action required by Environmental Law to investigate, remediate or otherwise resolve the issues related to the Golder Described EH&S Conditions (including, without limitation, the presence or release of Hazardous Substances) and will retain all liability for and the responsibility to address the Golder Described EHS Conditions to the extent that the Golder Described EHS Conditions are not so investigated, remediated or resolved with from time to time. The parties acknowledge that the fact that the Consultant describes a matter as an environmental or health and safety condition does not determine whether or not such matter requires investigation, remediation or other resolution under Environmental Law. All action of Seller shall be conducted in a manner complying with Environmental Law and other relevant Laws and requirements of Governmental Bodies, which shall include without limitation minimizing interference (to the extent practicable) with activities of Buyer and others on the Oklahoma Premises, using reasonably competent personnel as selected by Seller to accomplish such objectives and restoring the Oklahoma Premises to a condition after such action consistent with the use of such Premises for activity of the type (i.e. industrial) presently conducted by Seller.
- (ix) To the extent that remediation involves the use of engineering and/or institutional controls acceptable to Buyer and Hazardous Substances are permitted to remain on the Oklahoma Premises, Seller shall remain liable for and shall be responsible for all future costs associated with maintaining the engineering and institutional controls.
- (x) Buyer shall cooperate with Seller as necessary to effectuate the provisions of this Section 5.10 (including without limitation furtherance of the investigatory and remedial actions set forth above) in accordance with the provisions of this Agreement provided that all reasonable costs thereof shall be for the account of and paid by Seller.

- 37 -

LUCENT TECHNOLOGIES/CELESTICA



#### 5.11 SEC DISCLOSURE

Each party acknowledges that the other party (or an Affiliate of such other party) may, upon advice of its legal advisors, be required to file this Agreement with the United States Securities and Exchange Commission ("SEC"). If a party is required to so file, it shall (i) give notice to the other party of such filing requirement together with a copy of its draft application to the SEC requesting the redaction as far in advance of such filing requirement as is reasonably practicable, and (ii) permit such other party's legal advisors to participate in the redaction of this Agreement on a mutually agreeable basis (with the understanding that each party shall include in its initial application the preferred redactions being sought by the other party). Each party agrees that it will (i) work in good faith to include all recommendations of the other party in all subsequent response filings with the SEC and (ii) use all commercially reasonable efforts to ensure that only such information is disclosed as in necessary to meet the SEC requirements. Each party shall use reasonable efforts to cause its legal counsel to act in a timely manner in order to meet the other party's requirements to timely meet its filing obligations.

#### 5.12 SCHEDULE UPDATES

On and after the date hereof and until the fifth Business Day prior to the Closing Date, Seller may (i) update SCHEDULES 1.1(d), 2.1(g), 2.1(h), 3.3(b), 3.8(a) and 3.8(b) (with respect to the first sentence only) (in each case, only to reflect changes occurring in the ordinary course of business in accordance with SECTION 5.2 and also, (a) in the case of Schedule 1.1(d), only to reflect the addition of Principal Equipment in the ordinary course of business in accordance with Section 5.2 that is necessary but not material to the conduct of the Business and (b) in the case of Schedule 3.8(a) to reflect Business Employees who retire from employment with Seller or whose employment will be involuntarily terminated by Seller) and (ii) update any other Schedule attached to this Agreement in a material manner with the consent of Buyer, such consent not to be unreasonably withheld. On and after the date hereof and until the Business Day prior to the Closing Date, the parties may modify Schedule 5.4 to reflect the Initially Transferred Employees, if any, to whom Buyer will offer employment on the Closing Date based solely on Buyer's assessment of its business needs. Seller and Buyer shall work together, acting reasonably and in good faith, to agree on any changes to Schedules effected pursuant to (ii) above, and to use their reasonable efforts to ensure that Closing is not delayed as a result of changes to Schedules pursuant to (ii) above.

#### 5.13 SURPLUS ASSETS

For a period of six (6) months following the Closing Date, Buyer shall have an option to purchase from Seller certain Excluded Assets, which shall be identified on Schedule 2.2(i) as being subject to this Section 5.13, upon providing Seller with a notice identifying such Excluded Assets and the applicable purchase price. Nothing herein contained shall be construed to restrict the Buyer's ability to sell such Excluded Assets to a Third Party provided that if Seller receives an offer from a Third Party to acquire any such Excluded Assets, Seller shall notify Buyer and Buyer shall have five (5) Business Days to provide Seller with a notice of its intention to purchase all or a portion of such Excluded Assets. Buyer's option shall terminate in the event that such Excluded Assets are lost, substantially damaged or

- 38 -

#### LUCENT TECHNOLOGIES/CELESTICA

destroyed. The purchase price of such Excluded Assets shall be equal to the lesser of the net book value of such Excluded Assets at the Closing Date and the price the Third Party offered to pay for such Excluded Assets. Buyer shall pay the purchase price applicable to such Excluded Assets no later than ten (10) Business Days following the receipt by Seller of the relevant notice provided by Buyer and upon delivery by Seller to Buyer of such Excluded Assets.

#### 5.14 BUSINESS SERVICES AGREEMENT

Prior to the Closing Date, Buyer and Seller shall use all reasonable efforts acting in good faith to negotiate and settle a Business Services

Agreement on the terms and conditions set forth in the Business Services Term Sheet attached hereto as Exhibit G.

6. CONFIDENTIAL NATURE OF INFORMATION

6.1 CONFIDENTIALITY AGREEMENT

Buyer agrees that the Confidentiality Agreement shall apply to (a) all documents, materials and other information that it shall have obtained regarding Seller or its Affiliates during the course of the negotiations leading to the consummation of the transactions contemplated hereby (whether obtained before or after the date of this Agreement), any investigations made in connection therewith and the preparation of this Agreement and related documents and (b) all analyses, reports, compilations, evaluations and other materials prepared by Buyer or its counsel, accountants or financial advisors that contain or otherwise reflect or are based upon, in whole or in part, any of the provided information; PROVIDED, HOWEVER, that subject to Section 6.2(a), the Confidentiality Agreement shall terminate as of the Closing and shall be of no further force and effect thereafter with respect to information of Seller the ownership of which is transferred to Buyer.

6.2 SELLER'S PROPRIETARY INFORMATION

(a) Except as provided in Section 6.2(b) and 6.2(d), and except as otherwise provided in the Intellectual Property Agreement or the Supply Agreement, after the Closing and for a period of five (5) years following the Closing Date, Buyer agrees that it will keep confidential all of Seller's and its Affiliates' Proprietary Information that is received from, or made available by, Seller in the course of the transactions contemplated hereby, including, for purposes of this Section 6.2, information about Seller's and its Affiliates' business plans and strategies, marketing ideas and concepts, especially with respect to unannounced products and services, present and future product plans, pricing, volume estimates, financial data, product enhancement information, business plans, marketing plans, sales strategies, customer information (including customers' applications and environments), market testing information, development plans, specifications, customer requirements, configurations, designs, plans, drawings, apparatus, sketches, software, hardware, data, prototypes, connecting requirements or other technical and business information, except for such Proprietary Information as is conveyed to Buyer as part of the Purchased Assets.

- 39 -

LUCENT TECHNOLOGIES/CELESTICA

(b) Notwithstanding the foregoing, such Proprietary Information shall not be deemed confidential and Buyer shall have no obligation with respect to any such Proprietary Information that:

- (i) at the time of disclosure was already known to Buyer other than through this transaction, free of restriction as evidenced by documentation in Buyer's possession;
- (ii) is or becomes publicly known through publication, inspection of a product, or otherwise, and through no negligence or other wrongful act of Buyer;
- (iii) is received by Buyer from a Third Party without similar restriction and without breach of any agreement;
- (iv) to the extent it is independently developed by Buyer; or
- (v) is, subject to Section 6.2(c), required to be disclosed under applicable Law or judicial process.

(c) If Buyer (or any of its Affiliates) is requested or required (by oral question, interrogatory, request for information or documents, subpoena, civil investigative demand or similar process) to disclose any of Seller's Proprietary Information, Buyer will promptly notify Seller of such request or requirement and will cooperate with Seller such that Seller may seek an

appropriate protective order or other appropriate remedy. If, in the absence of a protective order or the receipt of a waiver hereunder, Buyer (or any of its Affiliates) is in the written opinion of Buyer's counsel required to disclose the Proprietary Information, Buyer (or its Affiliate) may disclose only so much of the Proprietary Information to the party compelling disclosure as is required by Law. Buyer will exercise its (and will cause its Affiliates to exercise their) reasonable commercial efforts to obtain a protective order or other reliable assurance that confidential treatment will be accorded to such Proprietary Information.

(d) Except to the extent that disclosure thereof is required under accounting, stock exchange or Federal Securities Laws disclosure obligations, the terms and conditions of this Agreement, and all attachments and amendments hereto and thereto shall be considered Proprietary Information protected under this Article 6. Notwithstanding anything in this Article 6 to the contrary, in the event that any such Seller's Proprietary Information is also subject to a limitation on disclosure or use contained in another written agreement between Buyer and Seller (including but not limited to, the Intellectual Property Agreement) that is more restrictive than the limitation contained in this Article 6, then the limitation in such agreement shall supersede this Article 6. Notwithstanding anything in this Article 6 to the contrary, Buyer shall be permitted to disclose the terms and conditions of this Agreement, and all attachments and amendments hereto and thereto, and copies thereof, to its Affiliates and to its and their respective officers, directors and employees and professional advisors, in each case, who have a need to know such information for the purposes of discharging their duties to Buyer and its Affiliates, and to its lenders and investment dealers where required to

- 40 -

LUCENT TECHNOLOGIES/CELESTICA

do so under binding agreements with such Persons; provided, however, that Buyer shall require all such Persons to maintain the confidentiality of any such information in accordance with the terms hereof and Buyer shall remain responsible to Seller for the actions of such parties with respect to such information.

7. CLOSING

At the Closing, the following transactions shall take place:

7.1 DELIVERIES BY SELLER

On the Closing Date, Seller shall deliver to Buyer the following:

- (a) the Collateral Agreements;
- (b) all consents, waivers or approvals theretofore obtained by Seller with respect to the sale of the Purchased Assets or the consummation of the transactions contemplated by this Agreement or the Collateral Agreements;
- (c) an opinion or opinions of Counsel for Seller dated the Closing Date with respect to the matters described in Sections 3.1, 3.2 and 3.3(a)(i) in a form and subject to such exceptions as are customary for transactions similar to those contemplated hereby, which form shall be reasonably acceptable to Buyer;
- (d) a certificate of an appropriate officer of Seller, dated the Closing Date, certifying to the best of his or her knowledge the fulfillment of the conditions set forth in Sections 8.2(a) and (b);
- (e) to the extent required, updated Schedules revised in accordance with Section 5.12 to reflect changes in the operations or condition of the Business between the date hereof and the Closing Date; and
- (f) all such other bills of sale, assignments and other instruments of assignment, transfer or conveyance as Buyer may reasonably request or as may be otherwise necessary to

evidence and effect the sale, transfer, assignment, conveyance and delivery of the Purchased Assets to Buyer and to put Buyer in actual possession or control of the Purchased Assets.

## 7.2 DELIVERIES BY BUYER

On the Closing Date, Buyer shall deliver to Seller the following:

- (a) the Purchase Price as provided in Section 2.3;
- (b) the Collateral Agreements;
- (c) an opinion or opinions of Counsel for Buyer, and any Affiliates of Buyer, to the extent that such Affiliate is a party to any of the Collateral Agreements,

- 41 -

## LUCENT TECHNOLOGIES/CELESTICA

dated the Closing Date with respect to the matters described in Sections 4.1, 4.2 and 4.3(a) (i) in a form and subject to such exceptions as are customary for transactions similar to those contemplated hereby, which form shall be reasonably acceptable to Seller;

- (d) a certificate of an appropriate officer of Buyer, dated the Closing Date, certifying to the best of his or her knowledge the fulfillment of the conditions set forth in Sections 8.3(a) and (b);
- (e) all such other documents and instruments as Seller may reasonably request or as may be otherwise necessary or desirable to evidence and effect the assumption by Buyer of the Assumed Liabilities; and
- (f) evidence of the obtaining of or the filing with respect to, any required approvals set forth on SCHEDULE 4.3(b).

## 7.3 CLOSING DATE

The Closing shall take place on the Closing Date at the offices of Seller, 600 Mountain Avenue, Murray Hill, New Jersey 07974, at 10:00 a.m. local time within five (5) Business Days following the date on which the last of the conditions specified in Article 8 to be satisfied or waived has been satisfied or waived, or at such other place or time or on such other date as Seller and Buyer may agree upon in writing (such date and time being referred to herein as the "Closing Date").

## 7.4 CONTEMPORANEOUS EFFECTIVENESS

All acts and deliveries prescribed by this Article 7, regardless of chronological sequence, will be deemed to occur contemporaneously and simultaneously on the occurrence of the last act or delivery required by this Article, and none of such acts or deliveries will be effective until the last of the same has occurred.

## 7.5 RISK OF LOSS FOR PURCHASED ASSETS

From the date hereof to the Effective Time on the Closing Date, the Purchased Assets shall be and remain at the risk of Seller. If prior to the Effective Time on the Closing Date, any of such Purchased Assets are destroyed or damaged by fire or any other casualty or shall be appropriated, expropriated or seized by Governmental Body or other lawful authority, Buyer shall not be required to complete the purchase of such Purchased Asset and shall not be required to pay to Seller the portion of the Purchase Price attributed to such Purchased Asset. In the event that the relevant Purchased Asset has not been destroyed or appropriated, expropriated or seized but merely damaged and Buyer elects to complete the purchase of such asset, the Purchase Price shall be reduced by an amount mutually agreed by the parties or, if mutually agreed to by the parties, Buyer shall pay the full Purchase Price therefor and any proceeds

of insurance net of all proven expenses incurred and paid by Seller to obtain payment of such insurance proceeds, shall be paid to Buyer, if previously received, or assigned to Buyer, in either case, as at the Effective Time on the Closing Date.

- 42 -

LUCENT TECHNOLOGIES/CELESTICA

8. CONDITIONS PRECEDENT TO CLOSING

8.1 GENERAL CONDITIONS

The respective obligations of Buyer and Seller to effect the Closing of the transactions contemplated hereby are subject to the fulfillment, prior to or at the Closing, of each of the following conditions:

- (a) NO INJUNCTIONS. No order of any court or administrative agency shall be in effect that enjoins, restrains, conditions or prohibits consummation of this Agreement or the Collateral Agreements.
- (b) ANTITRUST LAWS. Any applicable waiting period under the HSR Act or other applicable antitrust Laws relating to the transactions contemplated by this Agreement or the Collateral Agreements shall have expired or been terminated.

8.2 CONDITIONS PRECEDENT TO BUYER'S OBLIGATIONS

The obligations of Buyer to effect the Closing of the transactions contemplated hereby are subject to the fulfillment, prior to or at the Closing, of each of the following conditions, any of which may be waived in writing by Buyer:

- (a) REPRESENTATIONS AND WARRANTIES OF SELLER TRUE AT CLOSING. The representations and warranties of Seller contained in this Agreement or in any schedule, certificate or document delivered pursuant to the provisions hereof or in connection with the transactions contemplated hereby (X) which are qualified by materiality shall be true and correct, and (Y) which are not qualified by materiality shall be true in all material respects at and as of the Closing Date, as though such representations and warranties were made at and as of the Closing Date, except (i) as affected by the transactions contemplated hereby, and (ii) to the extent that such representations and warranties are made as of a specified date, in which case such representations and warranties shall be true in all material respects as of the specified date.
- (b) PERFORMANCE BY SELLER. Seller shall have performed in all material respects all obligations and agreements and complied in all material respects with all covenants and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing, including executing the Collateral Agreements.
- (c) REQUIRED CONSENTS. Seller shall have obtained all of the Required Consents, except where the failure to obtain such consents, approvals or authorizations, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

- 43 -

LUCENT TECHNOLOGIES/CELESTICA

- (d) UNION AGREEMENT. The collective bargaining agreements between Buyer and the Union covering the Transferred

Represented Employees shall have been ratified and approved by the requisite majority of the members of the Union and executed by the Union on or before the Closing Date provided, however, that in the event that the Seller retains the Represented Employees beyond the Closing Date, in accordance with Section 5.4, the entering into, ratification and approval of the collective bargaining agreements shall cease to be a condition precedent to Buyer's obligation to effect the Closing but the parties shall have executed and delivered the Business Services Agreement as a condition precedent to Buyer's obligation to effect the Closing.

### 8.3 CONDITIONS PRECEDENT TO SELLER'S OBLIGATIONS

The obligations of Seller to effect the Closing of the transactions contemplated hereby are subject to the fulfillment, prior to or at the Closing, of each of the following conditions, any of which may be waived in writing by Seller:

- (a) REPRESENTATIONS AND WARRANTIES OF BUYER TRUE AT CLOSING. The representations and warranties of Buyer contained in this Agreement or in any certificate or document delivered pursuant to the provisions hereof or in connection with the transactions contemplated hereby shall be true and correct in all material respects at and as of the Closing Date as though such representations and warranties were made at and as of the Closing Date, except to the extent that such representations and warranties are made as of a specified date, in which case such representations and warranties shall be true in all material respects as of the specified date.
- (b) PERFORMANCE BY BUYER. Buyer shall have performed in all material respects all obligations and agreements and complied in all material respects with all covenants and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing, including executing the Collateral Agreements.

### 9. STATUS OF AGREEMENTS

The rights and obligations of Buyer and Seller under this Agreement shall be subject to the following terms and conditions:

#### 9.1 EFFECT OF BREACH

In the event of a material breach of any representation, certification or warranty, or agreement or covenant of Seller under this Agreement that is discovered by Buyer prior to Closing and that cannot be or is not cured by Seller upon prior notice and the passage of a reasonable period of time, Buyer may elect not to proceed with the Closing hereunder, which shall be Buyer's sole remedy for such breach.

- 44 -

LUCENT TECHNOLOGIES/CELESTICA

CONFIDENTIAL TREATMENT  
REQUESTED.  
ASTERISKS DENOTE OMISSIONS.

#### 9.2 SURVIVAL OF REPRESENTATIONS AND WARRANTIES

The representations and warranties of Buyer and Seller contained in this Agreement shall survive the Closing for \*\*\*; provided, that the representations and warranties contained in (i) Sections 3.1, 3.2, 3.3(a)(i), 3.4(a), 3.6 (as to the title of the Premises) and Sections 4.1, 4.2 and 4.3(a)(i) shall survive until the \*\*\*, (ii) Section 3.10 shall survive for a period of \*\*\* following the Closing Date, (iii) Section 3.12(a) shall survive until the termination or expiry of the Supply Agreement, and (iv) and any claim for any breach of a representation or warranty based on fraud or fraudulent misrepresentation may be made at any time. Neither Seller nor Buyer shall have any liability whatsoever with respect to any such representations or warranties after the survival period for such

representation or warranty expires.

### 9.3 GENERAL AGREEMENT TO INDEMNIFY

(a) Seller and Buyer shall indemnify, defend and hold harmless the other party hereto, any Affiliate thereof, and any director, officer or employee of such party or Affiliate thereof (each an "INDEMNIFIED PARTY") from and against any and all claims, actions, suits, proceedings, liabilities, obligations, losses, and damages, amounts paid in settlement, interest, costs and expenses (including reasonable attorney's fees, court costs and other out-of-pocket expenses incurred in investigating, preparing or defending the foregoing) (collectively, "LOSSES") incurred or suffered by any Indemnified Party to the extent that the Losses arise by reason of, or result from (i) the failure of any representation or warranty of such party contained in this Agreement to have been true in all material respects when made and as of the Closing Date except as expressly provided otherwise in Section 8.2(a) or 8.3(a), or (ii) the breach by such party of any covenant or agreement of such party contained in this Agreement to the extent not waived by the other party.

(b) Seller further agrees to indemnify and hold harmless Buyer from and against any Losses incurred by Buyer arising out of, resulting from, or relating to: (i) the Excluded Liabilities; (ii) Buyer's waiver of any applicable Bulk Sales Laws; (iii) any claim, demand or liability for Taxes imposed on Buyer for which Seller is responsible pursuant to Section 2.9; (iv) any claims of any Business Employee employed by Buyer in connection with any Benefit Plan of Seller or such Business Employee's employment with Seller accruing prior to and including the Closing Date; (v) any event occurring or any condition existing at or prior to the Closing Date relating to the Business, the Premises or the Purchased Assets which now or hereafter constitutes a violation of, or gives rise to any liability under, any Environmental Law; (vi) any presence or any release, spill, emission, discharge, leak, disposal, leaching or migration into the indoor or outdoor environment of any Hazardous Substances in, on, under or from the Premises or the Purchased Assets and whether by Seller or by any other Person at or prior to the Closing Date or prior to the Closing Date; and (vii) any requirement imposed by a Governmental Body to change, improve or modify the processes of the Business so as to bring the same into a state of not being in violation of Environmental Laws.

(c) Buyer further agrees to indemnify and hold harmless Seller with respect to: (i) any failure of Buyer to discharge any of the Assumed Liabilities; (ii) any claim, demand or liability for Taxes imposed on Seller for which Buyer is responsible pursuant to

- 45 -

LUCENT TECHNOLOGIES/CELESTICA

CONFIDENTIAL TREATMENT  
REQUESTED.  
ASTERISKS DENOTE OMISSIONS.

Section 2.9; and (iii) any medical, health or disability claims of any Transferred Employee, for claims for expenses incurred on or before the close of business on the Closing Date which are not presented on a reasonably timely basis to Seller by such Transferred Employee for payment or reimbursement in accordance with the terms of the applicable Benefit Plan of Seller due to fault of Buyer.

(d) Amounts payable in respect of the parties' indemnification obligations shall be treated as an adjustment to the Purchase Price. Buyer and Seller agree to cooperate in the preparation of a supplemental Asset Acquisition Statement as required by Section 5.3 and Treasury Reg. Section 1.1060-1T(e) as a result of any adjustment to the Purchase Price pursuant to the preceding sentence. Whether or not the Indemnifying Party (as defined below) chooses to defend or prosecute any Third-Party Claim (as defined in Section 9.4(a)) both parties hereto shall cooperate in the defense or prosecution thereof and shall furnish such records, information and testimony, and attend such conferences, discovery proceedings, hearings, trials and appeals, as may be reasonably requested in connection therewith or as provided in Section 5.1.

(e) The amount of the Indemnifying Party's liability under this Agreement shall be determined taking into account any applicable insurance

proceeds actually received by, and other savings, including Tax savings, that actually reduce the overall impact of the Losses upon, the Indemnified Party. The indemnification obligations of each party hereto under this Article 9 shall inure to the benefit of the directors, officers and Affiliates of the other party hereto on the same terms as are applicable to such other party.

(f) The Indemnifying Party's aggregate liability for all claims made under (i) Section 9.3(a) hereof (other than with respect to breaches of covenants relating to environmental or occupational health and safety matters), (ii) Section 9.3(a) of the Columbus APA (other than with respect to breaches of covenants relating to environmental or occupational, health and safety matters), and (iii) Section 47.2 of the Supply Agreement shall be subject to the following limitations: (i) the Indemnifying Party shall have no liability for such claims until the aggregate amount of the Losses incurred shall exceed \*\*\* dollars (US\$\*\*\*), in which case the Indemnifying Party shall be liable only for the portion of the Losses exceeding \*\*\* dollars (US\$\*\*\*), and (ii) the Indemnifying Party's aggregate liability for all such claims (whether made under one or more of Section 9.3(a) hereof, Section 9.3(a) of the Columbus APA or Section 46.2 of the Supply Agreement) shall not exceed \*\*\* dollars (US\$\*\*\*). The Indemnified Party may not make a claim for indemnification under Section 9.3(a) for breach by the Indemnifying Party of a particular representation or warranty after the expiration of the survival period specified in Section 9.2.

(g) The Indemnifying Party's liability for all claims (excluding those made under Section 9.3(a) which shall be governed by Section 9.2(f) and excluding all claims made under Section 9.3(b)(v), (vi) or (vii) with respect to environmental or occupational health and safety matters), shall be subject to the following limitation: the Indemnifying Party shall have no liability for such claims until the aggregate amount of the Losses incurred shall

- 46 -

#### LUCENT TECHNOLOGIES/CELESTICA

exceed one million dollars (US\$1,000,000) (the "Threshold Amount"), in which case the Indemnifying Party shall be liable for all Losses including the Threshold Amount.

(h) The indemnification provided in this Article 9 shall be the sole and exclusive remedy after the Closing Date for damages available to the parties to this Agreement for breach of any of the terms, conditions, representations or warranties contained herein or any right, claim or action arising from the transactions contemplated by this Agreement; PROVIDED, HOWEVER, this exclusive remedy for damages does not preclude a party from bringing an action for specific performance or other equitable remedy to require a party to perform its obligations under this Agreement or any Collateral Agreement.

(i) Notwithstanding anything contained in this Agreement to the contrary, no party shall be liable to the other party for indirect, special, punitive, exemplary or consequential loss or damage (including any loss of revenue or profit) arising out of this Agreement, PROVIDED, HOWEVER, the foregoing shall not be construed to preclude recovery by the Indemnified Party in respect of Losses directly incurred from Third Party Claims. Both parties shall use reasonable efforts to mitigate their damages.

(j) The rights to indemnification under Section 9.3 shall not be subject to set-off for any claim by the Indemnifying Party against any Indemnified Party, whether or not arising from the same event giving rise to such Indemnified Party's claim for indemnification.

#### 9.4 GENERAL PROCEDURES FOR INDEMNIFICATION

(a) The Indemnified Party seeking indemnification under this Agreement shall promptly notify the party against whom indemnification is sought (the "INDEMNIFYING PARTY") of the assertion of any claim, or the commencement of any action, suit or proceeding by any Third Party, in respect of which indemnity may be sought hereunder and will give the Indemnifying Party such information with respect thereto as the Indemnifying Party may reasonably request, but failure to give such notice shall not relieve the Indemnifying Party of any liability hereunder (unless such failure prevents the Indemnifying Party from effectively contesting the claim in respect of which indemnification is sought). The



Indemnifying Party shall have the right, but not the obligation, exercisable by written notice to the Indemnified Party within thirty (30) days of receipt of notice from the Indemnified Party of the commencement of or assertion of any claim, action, suit or proceeding by a Third Party in respect of which indemnity may be sought hereunder (a "THIRD-PARTY CLAIM"), to assume the defense and control the settlement of such Third-Party Claim that (i) involves (and continues to involve) solely money damages, or (ii) involves (and continues to involve) claims for both money damages and equitable relief against the Indemnified Party that cannot be severed, where the claims for money damages are the primary claims asserted by the Third Party and the claims for equitable relief are incidental to the claims for money damages.

(b) The Indemnifying Party or the Indemnified Party, as the case may be, shall have the right to participate in (but not control), at its own expense, the defense of any Third-Party Claim that the other is defending, as provided in this Agreement.

- 47 -

#### LUCENT TECHNOLOGIES/CELESTICA

(c) The Indemnifying Party, if it has assumed the defense of any Third-Party Claim as provided in this Agreement, shall not consent to a settlement of, or the entry of any judgment arising from, any such Third-Party Claim without the Indemnified Party's prior written consent (which consent shall not be unreasonably withheld) unless such settlement or judgment relates solely to monetary damages. The Indemnifying Party shall not, without the Indemnified Party's prior written consent, enter into any compromise or settlement that (i) commits the Indemnified Party to take, or to forbear to take, any action, or (ii) does not provide for a complete release by such Third Party of the Indemnified Party. The Indemnified Party shall have the sole and exclusive right to settle any Third-Party Claim, on such terms and conditions as it deems reasonably appropriate, to the extent such Third-Party Claim involves equitable or other non-monetary relief against the Indemnified Party, and shall have the right to settle any Third-Party Claim involving money damages for which the Indemnifying Party has not assumed the defense pursuant to this Section 9.4 with the written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed.

(d) In the event an Indemnified Party shall claim a right to payment pursuant to this Agreement, such Indemnified Party shall send written notice of such claim to the Indemnifying Party. Such notice shall specify the basis for such claim. As promptly as possible after the Indemnified Party has given such notice, and subject to the limitations set forth in Section 9.3, the Indemnified Party and the Indemnifying Party shall establish the merits and amount of such claim by mutual agreement, or, if necessary, by arbitration in a manner reasonably determined by mutual agreement of such parties.

#### 9.5 BREACH OF REPRESENTATIONS RESULTING IN LIMITATION OF OBLIGATIONS UNDER THE SUPPLY AGREEMENT

To the extent Buyer is unable to perform any of its obligations under the Supply Agreement as a result of Seller failing to provide to Buyer Proprietary Information in breach of Section 3.4(c) or 3.12(c) hereof, then Buyer shall be relieved of such obligations under the Supply Agreement during the period of time that the breach of Section 3.4(c) or 3.12(c), as the case may be, remains uncured, and Buyer's failure to perform such obligations shall not affect any applicable measure of Buyer's performance under the Supply Agreement, including performance related to delivery under the Supply Agreement, and Seller shall not assert any of its rights and remedies under the Supply Agreement against Buyer as a result of such non-performance.

#### 10. MISCELLANEOUS PROVISIONS

##### 10.1 NOTICES

All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given upon receipt if (i) mailed by certified or registered mail, return receipt requested, (ii) sent by Federal Express or other express carrier, fee prepaid, (iii) sent via facsimile with receipt confirmed, or (iv) delivered personally, addressed as follows or to such other address or addresses of which the respective party shall have notified the

other.

- 48 -

LUCENT TECHNOLOGIES/CELESTICA

- (a) If to Seller, to: Lucent Technologies Inc.  
Attn: Chief Supply Officer  
600 Mountain Avenue  
Murray Hill, NJ 07974-0636  
U. S. A.  
Facsimile: (908) 582-8082
- With a copy to: Lucent Technologies Inc.  
Attn: Vice President - Law  
600 Mountain Avenue  
Murray Hill, NJ 07974-0636  
U. S. A.  
Facsimile: (908) 582-6130
- (b) If to Buyer, to: Celestica Corporation
- Pease International Tradeport  
ATTN: EXA03  
72 Pease Boulevard  
Newington, New Hampshire 03801  
U. S. A.  
Attention: General Manager  
Facsimile: (603) 334-4330
- With a copy to: Celestica Inc.  
7th Floor  
12 Concorde Place  
Toronto, Ontario M3C 3R8
- Attn: Senior Vice President,  
Mergers & Acquisitions  
Facsimile: (416) 448-5444
- And to: Vice President and General Counsel  
Facsimile: (416) 386-7817

10.2 EXPENSES

Except as otherwise provided in this Agreement, each party to this Agreement will bear all the fees, costs and expenses that are incurred by it in connection with the transactions contemplated hereby, whether or not such transactions are consummated.

10.3 ENTIRE AGREEMENT; MODIFICATION

The agreement of the parties, which is comprised of this Agreement, the Schedules and Exhibits hereto and the documents referred to herein, sets forth the entire agreement and understanding between the parties and supersedes any prior agreement or understanding, written or oral, relating to the subject matter of this Agreement. With respect to the

- 49 -

LUCENT TECHNOLOGIES/CELESTICA

Purchased Assets, the Business, or any other rights or obligations to be transferred hereunder or pursuant hereto, no party has been induced by or has relied upon any representations, warranties, or statements, whether express or implied, made by any other party, its agents, employees, attorneys or other representatives or by any Person representing or purporting to represent the other party that are not expressly set forth in this Agreement or the Collateral Agreements (including the Schedules and Exhibits hereto and thereto), whether or

not any such representations, warranties or statements were made in writing or orally. No amendment, supplement, modification or waiver of this Agreement shall be binding unless executed in writing by the party to be bound thereby, and in accordance with Section 11.4.

#### 10.4 ASSIGNMENT; BINDING EFFECT; SEVERABILITY

This Agreement may not be assigned by any party hereto without the other party's written consent; provided, however, that Buyer shall have the right to assign this Agreement and to assign its rights and delegate its duties under this Agreement in whole or in part at any time with the prior written consent of Seller to any wholly-owned subsidiary of Celestica Inc. incorporated in one of the states of the United States of America, provided that Buyer shall not, as a result of such assignment, be discharged from its obligations hereunder. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the successors, legal representatives and permitted assigns of each party hereto. The provisions of this Agreement are severable, and in the event that any one or more provisions are deemed illegal or unenforceable the remaining provisions shall remain in full force and effect unless the deletion of such provision shall cause this Agreement to become materially adverse to either party, in which event the parties shall use reasonable commercial efforts to arrive at an accommodation that best preserves for the parties the benefits and obligations of the offending provision.

#### 10.5 GOVERNING LAW

THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK IRRESPECTIVE OF THE CHOICE OF LAWS PRINCIPLES OF THE STATE OF NEW YORK, AS TO ALL MATTERS, INCLUDING MATTERS OF VALIDITY, CONSTRUCTION, EFFECT, ENFORCEABILITY, PERFORMANCE AND REMEDIES.

#### 10.6 EXECUTION IN COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

#### 10.7 PUBLIC ANNOUNCEMENT

Upon signing of this Agreement, Seller and Buyer shall prepare a mutually agreeable release announcing the transaction contemplated hereby. Except for such press release, neither Seller nor Buyer shall, without the approval of the other, make any press release or other announcement concerning the existence of this Agreement or the terms of the transactions contemplated by this Agreement, except as and to the extent that any such party

- 50 -

LUCENT TECHNOLOGIES/CELESTICA

shall be so obligated by Law, in which case the other party shall be advised and the parties shall use their reasonable commercial efforts to cause a mutually agreeable release or announcement to be issued; PROVIDED, HOWEVER, that the foregoing shall not preclude communications or disclosures necessary to comply with accounting, stock exchange or applicable securities Law disclosure obligations.

#### 10.8 NO THIRD-PARTY BENEFICIARIES

Nothing in this Agreement, express or implied, is intended to or shall (a) confer on any Person other than the parties hereto and their respective successors or assigns any rights (including Third-Party beneficiary rights), remedies, obligations or liabilities under or by reason of this Agreement, or (b) constitute the parties hereto as partners or as participants in a joint venture. This Agreement shall not provide Third Parties with any remedy, claim, liability, reimbursement, cause of action or other right in excess of those existing without reference to the terms of this Agreement. Nothing in this Agreement shall be construed as giving to any Business Employee, or any other individual, any right or entitlement under any Benefit Plan, policy or procedure maintained by Seller, except as expressly provided in such Benefit Plan, policy or procedure. No Third Party shall have any rights under Section 502, 503 or 504 of ERISA or any regulations thereunder because of this Agreement that would not

otherwise exist without reference to this Agreement. No Third Party shall have any right, independent of any right that exist irrespective of this Agreement, under or granted by this Agreement, to bring any suit at law or equity for any matter governed by or subject to the provisions of this Agreement.

11. TERMINATION AND WAIVER

11.1 TERMINATION

This Agreement may be terminated at any time prior to the Closing Date by:

- (a) MUTUAL CONSENT. The mutual written consent of Buyer and Seller;
- (b) COURT OR ADMINISTRATIVE ORDER. Buyer or Seller if there shall be in effect a non-appealable order of a court or government administrative agency of competent jurisdiction prohibiting the consummation of the transactions contemplated hereby.
- (c) DELAY. Buyer or Seller if the Closing shall not have occurred by September 30, 2001, provided that the terminating party is not otherwise in material default or breach of this Agreement.

11.2 EFFECT OF TERMINATION

In the event of the termination of this Agreement in accordance with Section 11.1, this Agreement shall become void and have no effect, without any liability on the part of any party or its directors, officers or stockholders, except for the obligations of the parties hereto as provided in Article 6, Sections 10.2 and 10.7 and this Section 11.2.

- 51 -

LUCENT TECHNOLOGIES/CELESTICA

11.3 WAIVER OF AGREEMENT

Any term or condition hereof may be waived at any time prior to the Closing Date by the party hereto which is entitled to the benefits thereof by action taken by its Board of Directors or its duly authorized officer or employee, whether before or after the action of such party; PROVIDED, HOWEVER, that such action shall be evidenced by a written instrument duly executed on behalf of such party by its duly authorized officer or employee. The failure of either party to enforce at any time any provision of this Agreement shall not be construed to be a waiver of such provision nor shall it in any way affect the validity of this Agreement or the right of such party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to constitute a waiver of any other or subsequent breach.

11.4 AMENDMENT OF AGREEMENT

This Agreement may be amended with respect to any provision contained herein at any time prior to or on the Closing Date by action of the parties hereto taken by their Boards of Directors or by their duly authorized officers or employees, whether before or after such party's action; PROVIDED, HOWEVER, that such amendment shall be evidenced by a written instrument duly executed on behalf of each party by its duly authorized officer or employee.

- 52 -

LUCENT TECHNOLOGIES/CELESTICA

IN WITNESS WHEREOF, each party has caused this Agreement to be duly executed on its behalf by its duly authorized officer as of the date first written above.

LUCENT TECHNOLOGIES INC.

By: /s/ Rocco D. Pennella

-----  
Name: Rocco D. Pennella

Title:

CELESTICA CORPORATION

By: /s/ Rahul Suri

-----  
Name: Rahul Suri

Title: Authorized Signatory

- 53 -

LUCENT TECHNOLOGIES/CELESTICA

## CELESTICA INC. SUBSIDIARIES

1204362 Ontario Inc., Ontario corporation  
 1271576 Ontario Inc., Ontario corporation  
 1271577 Ontario Inc., Ontario corporation  
 1282087 Ontario Inc., Ontario corporation  
 1282088 Ontario Inc., Ontario corporation  
 1287347 Ontario Inc., Ontario corporation  
 1325091 Ontario Inc., Ontario corporation  
 1334607 Ontario Inc., Ontario corporation  
 1453824 Ontario Inc., Ontario corporation  
 1482114 Ontario Inc., Ontario corporation  
 3914941 Canada Inc., Canada corporation  
 3915077 Canada Inc., Canada corporation  
 Amnitek Ltd., Texas limited partnership  
 Aris Design Tools PTE Ltd., Singapore corporation  
 Celestica AG, Switzerland corporation  
 Celestica Amherst Inc., Canada corporation  
 Celestica Asia PTE Limited, Singapore corporation  
 Celestica (Barbados) Inc., Barbados corporation  
 Celestica Corporation, Delaware corporation  
 Celestica Denmark A/S, Denmark corporation  
 Celestica de Monterrey S.A. de C.V., Mexico corporation  
 Celestica Do Brasil Ltda., Brazil limited liability corporation  
 Celestica Employee Nominee Corporation, Ontario corporation  
 Celestica Europe Inc., Ontario corporation  
 Celestica France SAS, France corporation  
 Celestica Hong Kong Limited, Hong Kong corporation  
 Celestica Industries Limited, United Kingdom corporation  
 Celestica International Inc., Ontario corporation  
 Celestica Ireland B.V., Netherlands corporation  
 Celestica Ireland Holdings, Ireland unlimited liability company  
 Celestica Ireland Limited, Ireland corporation  
 Celestica Italia S.r.l., Italy corporation  
 Celestica EMS KK, Japan corporation  
 Celestica Japan KK, Japan corporation  
 Celestica Japan Repair Services Inc., Ontario corporation  
 Celestica Kladso, s.r.o., Czech Republic corporation  
 Celestica Limited, United Kingdom corporation  
 Celestica Liquidity Management Hungary Limited Liability Company,  
 Hungary corporation  
 Celestica Malaysia SDN. BHD., Malaysia corporation  
 Celestica Montreal Inc., Canada corporation  
 Celestica (PMI) LLC, Delaware corporation  
 Celestica (PMII) Inc., Delaware corporation  
 Celestica Rajeco, s.r.o., Czech Republic corporation  
 Celestica Services Limited, United Kingdom corporation  
 Celestica Services Inc., Delaware corporation

-2-

Celestica Singapore PTE Limited, Singapore corporation  
 Celestica South America Holdings Inc., Ontario corporation  
 Celestica Suzhuo Technology Ltd., China corporation  
 Celestica (Switzerland) AG, Switzerland corporation  
 Celestica (Telford) Limited, United Kingdom corporation  
 Celestica (Thailand) Limited, Thailand corporation  
 Celestica (U.S.) Inc., Delaware corporation  
 Celestica (UK) Holdings Limited, United Kingdom corporation  
 Dongguan Celestica Electronics, Ltd., China corporation  
 ePeripherals PTE Ltd., Singapore corporation  
 ETEQ Components (HK) Ltd., Hong Kong corporation  
 ETEQ Components PTE Ltd., Singapore corporation  
 ETEQ Components SDN. BHD., Malaysia corporation  
 ETEQ Components (Thailand) Co., Ltd., Thailand corporation  
 Fowseng Plastics Industries PTE Ltd., Singapore corporation  
 IMS Holdco Inc., Delaware corporation  
 IMS International Manufacturing Services de Monterrey, S. de R.L. de C.V.,

Mexico corporation  
IMS International Manufacturing Services Limited, Cayman Islands corportion  
Jiminy S.r.l., Italy corporation  
Jin Li Mould Manufacturing PTE Ltd., Singapore corporation  
Kojin Mould Mfg. PTE Ltd., Singapore corporation  
Microcircuit Technology PTE Ltd., Singapore corporation  
NDB Industrial Ltda., Brazil corporation  
Omni Design PTE Ltd., Singapore corporation  
Omni Electronics (China) PTE Ltd., Singapore corporation  
Omni Electronics (M) SDN. BHD., Malaysia corporation  
Omni Electronics (S) PTE Ltd., Singapore corporation  
Omni Electronics (Shanghai) Co. Ltd., China corporation  
Omni Engineering (Shanghai) Co., Ltd., China corporation  
Omni HR Resources Services SA de CV, Mexico corporation  
Omni Industries (Singapore) Inc., California corporation  
Omni Industries Limited, Singapore corporation  
Omni Manufacturing Services, S.A. de C.V., Mexico corporation  
Omni Plastics (China) PTE Ltd., Singapore corporation  
Omni Plastics (Shanghai) Co., Ltd., China corporation  
Omni Plastics (Xiamen) Co., Ltd., China corporation  
Omni Plastics PTE Ltd., Singapore corporation  
Omni Plastics Technologies (Shanghai) Co., Ltd., China corporation  
Omni Precision PTE Ltd., Singapore corporation  
Omni Precision Sdn. Bhd., Malaysia corporation  
Pacific Plastics PTE Ltd., Singapore corporation  
Pacific Plastics (Suzhou) Co., Ltd., China corporation  
Plastimer Co., Ltd., Thailand corporation  
Plastimer Precision Co. Ltd., Thailand corporation

-3-

P.T. Omni Electronics Bintan, Indonesia corporation  
P.T. Omni Precision, Batam, Indonesia corporation  
QET Manufacturing Pte. Ltd., Singapore corporation  
Signar s.r.o., Czech Republic corporation