CELESTICA INC
Form 424B2
June 14, 2004

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Filed pursuant to Rule 424(b)(2)
File Nos. 333-69278, 333-12272 and 333-50240

PROSPECTUS SUPPLEMENT
(To Prospectus Dated September 10, 2001)

US$500,000,000

Celestica Inc.

$7^{7}/_{8}$% Senior Subordinated Notes due 2011

The notes will bear interest at the rate of $7^{7}/_{8}$% per year. Interest on the notes is payable on January 1 and July 1 of each year, beginning on January 1, 2005. The notes will mature on July 1, 2011. We may redeem some or all of the notes at any time on or after July 1, 2008 at specified redemption prices, and at any time in the event of certain changes affecting Canadian withholding taxes at 100% of their principal amount. Prior to July 1, 2008, we may redeem some or all of the notes by paying a specified make-whole premium. In addition, prior to July 1, 2007, we may redeem up to 35% of the notes at 107.875% of their principal amount with the proceeds of certain equity offerings. The redemption prices are discussed under the captions "Description of the Notes Optional Redemption" and "Description of the Notes Redemption for Tax Reasons."

The notes will be our senior subordinated unsecured obligations and will rank subordinated in right of payment to all present and future senior indebtedness, *pari passu* with all present and future senior subordinated indebtedness and senior to all of our present and future subordinated indebtedness.

Investing in the notes involves risks. See "Risk Factors" beginning on page S-11 and beginning on page 4 of the accompanying prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the related prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Note	Total
Public Offering Price	100.000%	$ 500,000,000
Underwriting Commissions	2.000%	$ 10,000,000
Proceeds to Celestica Inc. (before expenses)	98.000%	$ 490,000,000

Interest on the notes will accrue from June 16, 2004 to the date of delivery.

The underwriters expect to deliver the notes to purchasers on or about June 16, 2004.

Joint Book-Running Managers

Citigroup **Banc of America Securities LLC** **Deutsche Bank Securities**

Joint Lead Managers

CIBC World Markets **RBC Capital Markets** **Scotia Capital**

Wachovia Securities

June 10, 2004

TABLE OF CONTENTS

Prospectus Supplement

Prospectus

You should rely only on the information in this document or to which we have referred you. We have not authorized anyone to provide you with additional or different information. This document may only be used where it is legal to sell the notes. The information in this document may only be accurate as of the date of this prospectus supplement, regardless of the time of delivery of this document to you or any sale of the notes.

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of the notes we are offering and certain other matters. The second part, the accompanying prospectus, gives more general information, some of which does not apply to the notes we are offering. In the event information contained in the prospectus is inconsistent with this prospectus supplement, the information in the prospectus supplement updates and supersedes the information in the prospectus. Generally, when we refer to the prospectus supplement, we are referring to both parts combined.

In this prospectus supplement, unless we state otherwise, "Celestica," the "Company," "we," "us" and "our" refer to Celestica Inc. and its subsidiaries.

We furnish our shareholders with annual reports containing financial statements prepared in accordance with Canadian generally accepted accounting principles (GAAP) audited by our independent accountants, with a reconciliation of those financial statements to U.S. GAAP. We will make available copies of quarterly reports for each of the first three quarters of each fiscal year containing interim unaudited consolidated financial information.

In this prospectus supplement, all dollar amounts are expressed in United States dollars, except where we state otherwise. All references to "US$" or "$" are to U.S. dollars and all references to "C$" are to Canadian dollars. Unless we indicate otherwise, any reference in this prospectus supplement to a conversion between US$ and C$ is given as of June 10, 2004. At that date, the noon buying rate in New York City for cable transfers in Canadian dollars was US$1.00 = C$1.3572, as certified for customs purposes by the Federal Reserve Bank of New York.

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 exchange restrictions affecting the remittance of dividends, interest, royalties or similar payments to non-resident holders of the notes we are offering.

FORWARD-LOOKING STATEMENTS

Information about us contained under the headings "Prospectus Summary," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and other sections of this prospectus supplement and prospectus contain forward-looking statements within the meaning of section 27A of the Securities Act of 1933, as amended (U.S. Securities Act), and section 21E of the Securities Exchange Act of 1934, as amended (U.S. Exchange Act), including, without limitation, statements concerning our possible or assumed future results of operations 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 "Risk Factors" and elsewhere in this prospectus supplement, could affect our future results and could cause those results to differ materially from those expressed in such forward-looking statements: variability of operating results among periods; the effects of price competition and other business and competitive factors generally affecting the electronics manufacturing services (EMS) industry; the challenges of effectively managing our operations during uncertain economic conditions; our dependence on a limited number of customers; our dependence on industries affected by rapid technological change; the challenge of responding to lower-than-expected customer demand; our ability to successfully manage our international operations; component constraints; our ability to manage our restructuring and the shift of production to lower cost geographies; the success of our new product development efforts; and our ability to achieve the anticipated benefits of our merger with Manufacturers' Services Limited (MSL).

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

SUMMARY

The following summary highlights selected information from this prospectus supplement to help you understand Celestica Inc. and the notes being offered. For a more complete understanding of Celestica and the notes, we encourage you to read carefully the entire prospectus supplement and accompanying prospectus, as well as information incorporated by reference from the reports we filed with or furnished to the U.S. Securities and Exchange Commission.

Our Business

We are a world leader in the delivery of innovative electronics manufacturing services (EMS). We operate a highly sophisticated global manufacturing network with operations in Asia, Europe and the Americas. We target leading industry original equipment manufacturers (OEMs), historically in the computing and telecommunications industries and increasingly in other manufacturing end markets, such as industrial, aerospace and defense, automotive and consumer electronics. Our expertise in quality, technology and supply chain management enables us to provide competitive advantages to our customers by improving time-to-market, scalability and manufacturing efficiency.

We provide our OEM customers with a broad range of services, including manufacturing, design, new product introduction, engineering services, supply chain management, printed circuit assembly (PCA), system assembly, direct order fulfillment, logistics and after-market services and support. We have built a customer base that is now comprised of over 160 OEMs, including such industry leaders as Avaya Inc., Cisco Systems, Inc., EMC Corporation, Hewlett-Packard Corporation, IBM, Lucent Technologies Inc., Motorola, Inc., NEC Corporation and Sun Microsystems, Inc. During 2003, our top ten customers represented 73% of our total revenue.

For the year ended December 31, 2003 and the quarter ended March 31, 2004, we had revenue of approximately $6.7 billion and $2.0 billion, respectively.

Our Strengths

We have become one of the largest EMS providers by capitalizing on the following competitive strengths:

Advanced Technological Capabilities. We are a leader in manufacturing highly advanced products, particularly in the areas of communications and computing infrastructure. These products include mainframes, routers, photonic devices, wireless base stations, networking equipment and mass storage devices, among others. We have earned a superior reputation with global OEMs in these areas through our skilled engineers and our development of advanced capabilities in the areas of manufacturing and testing processes. We endeavor to remain at the forefront of technology. For example, we have recently expanded our service offerings to include reference designs in next generation computing platforms based on 64-bit architectures.

Large-Scale and Flexible Production Capacity. We have over 9 million square feet of diverse manufacturing capacity in 19 countries around the world. In our lower cost regions of Asia, Eastern Europe and Mexico, we offer a broad range of low cost manufacturing and supply chain solutions for our customers. As of March 31, 2004, approximately 70% of our production facilities and human resources were located in lower cost geographies. In Western Europe and North America, we offer a broad range of capabilities in areas such as design, manufacturing of new technologies, logistics, order fulfillment and after-market services. All of these regions continue to play an important role as we expand our service offerings and deepen our customer relationships.

Global Supply Chain Management Expertise. We have made significant investments in human resources and information technology in order to manage a large and growing portion of our customers' supply chains. We use electronic data interchange with our key suppliers and ensure speed of supply through the use of automated receiving and full-service distribution capabilities. During 2003, we procured and managed approximately $5 billion in materials and related services. We believe this size of procurement enhances our ability to obtain better pricing, influence component packaging and design, and obtain supply of components in constrained markets.

Broad and Global Service Offerings. We provide a full spectrum of products and services that capitalize on the extensive technological know-how and intellectual capital we have developed within our organization. Our broad portfolio of services positions us as a value-added provider within the EMS industry. Selected services within our broad line-up include product design and design for manufacturability, reference designs, component selection and procurement, quick-turn prototyping, PCA testing and full system assembly, product assurance and failure analysis, order fulfillment, worldwide distribution and after-market support, including repair services. A customer may use a selection of our services to complement its own capabilities or use all of our capabilities to better manage its complete supply chain needs.

Experienced Management Team. We have a strong executive and management team with extensive manufacturing and supply chain expertise. Stephen Delaney, prior to becoming our CEO, held a variety of executive and senior management positions at Celestica, as well as executive and senior management roles in operations at Visteon Automotive Services, AlliedSignal's Electronic Systems business, Ford Motor Company's Electronics division, and IBM's Telecommunications division. Marvin MªGee, President, and Anthony Puppi, CFO, have each been with Celestica and its predecessor company, IBM, for over 20 years, where each held a number of executive positions of increasing responsibility. We have established manufacturing and customer management teams in Asia, Europe and the Americas through a mix of external hiring, acquisitions and internal development of management within our global organization.

Our Strategy

We intend to deploy the following strategies in order to maximize customer satisfaction and achieve superior financial performance:

Steadily Improve Operating Margins and Increase Operating Efficiency. We are committed to applying strategies and processes designed to improve margins and return on invested capital around the world. We plan to achieve this by:

- completing our restructuring program;
- leveraging corporate procurement capabilities to lower materials costs;
- increasing utilization of facilities to take advantage of significant operating leverage;
- deploying corporate cost reduction and productivity enhancement initiatives on a global basis;
- applying best practices throughout our operations worldwide;
- compensating our employees based, in part, on the achievement of earnings targets;
- deploying lean manufacturing and Six Sigma techniques;
- maximizing asset turnover; and
- moving production to lower cost regions.

Leverage Expertise in Technology, Quality and Supply Chain Management. We are committed to meeting our customers' needs in the areas of technology, quality and supply chain management to enhance our customer relationships and expand our business. Our modern plants across the world and leading technological capabilities enable us to produce complex and highly sophisticated products to meet the rigorous demands of our OEM customers. Our ongoing 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 expertise in supply chain management have enabled us to rapidly ramp operations to meet customer needs, adjust capacity in response to product demand fluctuations and effectively distribute products directly to end customers.

Develop and Enhance Profitable, Strategic Relationships with Leading OEMs. We seek to build and sustain profitable, strategic relationships with industry leaders in target sectors and markets that can benefit from the delivery of our innovative electronics manufacturing services. By conducting ourselves as an extension of our customers' organizations, we are able to respond to their needs with agility, speed and a commitment to deliver results.

Expand Range of Service Offerings. We continually assess opportunities to expand the breadth and depth of the services we provide to OEMs in areas that can reduce their design, manufacturing, supply chain and product costs. While we have built our reputation by providing 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 wider 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, enclosure assembly, full system assembly, logistics, order fulfillment and after-market services. We will continue to expand our capabilities and service offerings on a global basis in order to maximize our potential returns and respond to the changing needs of our customers.

Continue to Diversify End Markets and Customer Base. We have historically focused on markets such as enterprise communications and computing, where OEMs require higher value-added services for their complex products. During the downturn that significantly affected the demand for our customers' products, we expanded our marketing efforts to other EMS markets to reduce our reliance on any particular industry. Our strategy includes growing our other end markets, such as aerospace and defense, industrial, consumer electronics and automotive. For the quarter ended March 31, 2004, our revenue from sectors outside of communications and computing approximately doubled to $275 million from $140 million in the corresponding quarter in 2003. In conjunction with end market diversification, we also focused on expanding our customer base. The percentage of our revenue from our non-top ten customers increased to 34% of total sales in the first quarter of 2004 from 22% of total sales in the first quarter of 2003. In addition, our acquisition of Manufacturers' Services Limited (MSL) has enhanced our diversification strategy by increasing the proportion of our customer base in the commercial avionics, automotive, retail systems and peripherals end markets.

Selectively Pursue Strategic Acquisitions. We have completed numerous acquisitions. We will continue to selectively seek acquisition opportunities in order to:

- further develop strategic relationships with leading OEMs;
- expand our capabilities;
- diversify into new market sectors;
- broaden our service offerings; and
- optimize our global positioning.

We have developed and deployed a comprehensive integration strategy that includes establishing a common culture at all locations with broad-based workforce participation, providing a single marketing "face" to customers worldwide, deploying common information technology platforms, leveraging global procurement and transferring best practices among operations worldwide.

Recent Developments

On June 4, 2004, we entered into an agreement to amend our existing 364-day credit facility by increasing the size of the existing unsecured facility from $250.0 million to $600.0 million and extending the expiry to June 2007. Concurrently with this amendment, we terminated our $500.0 million four-year revolving term credit facility. We refer to this amended credit facility as our new senior credit facility in this prospectus supplement. See "Description of Certain Indebtedness $600.0 Million Revolving Term Credit Facility."

On April 22, 2004, we announced our results for the first quarter of 2004. Highlights of our first quarter results include:

- a 27% increase in revenue to $2,016.9 million for the first quarter of 2004 compared to $1,587.4 million for the corresponding quarter in 2003, primarily as a result of an increase in business volumes from some of our top customers and new business, together with the MSL acquisition, offset in part by pricing reductions and changes in product mix;

- 5% sequential revenue growth for the first quarter of 2004 over the fourth quarter of 2003, due to the MSL acquisition, an increase in program wins with existing customers and strengthening in the communications market, despite typical cyclical declines for the first quarter;

- an increase in revenue for the first quarter of 2004 in each of the Americas, Europe and Asia compared to the fourth quarter of 2003; and

- an increase in gross margin to 4.4% in the first quarter of 2004 from 3.8% in the fourth quarter of 2003.

For additional detail, see "Management's Discussion and Analysis of Financial Condition and Results of Operations."

On March 12, 2004, we completed our acquisition of MSL, a global electronics manufacturing and supply chain services company with design, manufacturing and fulfillment locations worldwide. For the year ended December 31, 2003, MSL had revenue of approximately $826 million. Pursuant to the merger agreement, in consideration for the acquisition we issued to holders of MSL common stock and certain holders of MSL preferred stock approximately 14.1 million subordinate voting shares and paid cash consideration to certain MSL preferred stockholders totaling approximately $51.6 million.

Our Principal Executive Office

Our principal executive offices are located at 1150 Eglinton Avenue East, Toronto, Ontario, Canada M3C 1H7 and our telephone number is (416) 448-5800.

The Offering

Issuer	Celestica Inc.
Notes Offered	$500,000,000 aggregate principal amount of $7^{7}/_{8}$% Senior Subordinated Notes due 2011.
Maturity	July 1, 2011.
Interest Payment Dates	January 1 and July 1 of each year, beginning on January 1, 2005.
Ranking	The notes will be:
	our senior subordinated unsecured obligations;
	effectively subordinated in right of payment to all debt and other obligations (including trade payables) of our subsidiaries;
	effectively subordinated in right of payment to all of our existing and future senior debt, including borrowings under our new senior credit facility described under "Description of Certain Indebtedness $600.0 Million Revolving Term Credit Facility," to the extent of the value of the assets securing that debt;
	equal in right of payment with all of our future senior subordinated debt; and
	senior in right of payment with all of our existing and future subordinated debt.
	As of March 31, 2004, after giving pro forma effect to this offering, the application of the net proceeds therefrom as described in "Use of Proceeds" and the execution of our new senior credit facility:
	we would have had outstanding:
	no senior debt,
	$500.0 million of senior subordinated debt, consisting of the notes, and
	$609.0 million of the Liquid Yield Option Notes due 2020 (LYONs) (not reflecting repurchases of LYONs with proceeds of this offering), which are subordinated to the notes, and
	our subsidiaries would have had outstanding approximately $1.9 billion of external liabilities.
Optional Redemption	At any time on or after July 1, 2008, we may redeem all or a part of the notes at the redemption prices specified in this prospectus supplement under "Description of the Notes Optional Redemption."
	At any time prior to July 1, 2008, we may redeem all or a part of the notes by paying a make-whole premium based on U.S. Treasury rates as specified in this prospectus supplement under "Description of the Notes Optional Redemption."
	At any time prior to July 1, 2007, we may redeem up to 35% of the notes with the net proceeds of certain equity offerings, at a price equal to 107.875% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date, provided that at least 65% of the aggregate principal amount of the notes remains outstanding after the redemption.

Change of Control	Following a change of control as defined in the indenture, we will be required to make an offer to purchase all of the notes at a purchase price of 101% of their principal amount, plus accrued and unpaid interest to the date of the repurchase. However, our ability to repurchase your notes pursuant to this offer may be limited by the terms of our new senior credit facility or future credit agreements or other agreements related to our debt. See "Description of the Notes Repurchase at the Option of Holders Upon a Change of Control Offer."

Additional Amounts and Tax Redemptions	We are required to make all payments to you under the notes without withholding or deduction for Canadian taxes. However, if we are required by law or the interpretation or the administration thereof to withhold or deduct amounts for Canadian taxes, we are required to pay you such additional amounts as may be necessary so that the net amount received by you after such withholding or deduction will not be less than the amount you would have received in the absence of such withholding or deduction.
	We may redeem the notes in whole but not in part at any time at a price equal to 100% of their principal amount, plus accrued and unpaid interest, if any, to the redemption date in the event of certain changes in the law or the interpretation or administration thereof affecting Canadian withholding taxes.
Certain Covenants	The indenture governing the notes will contain covenants that, prior to the date, if ever, that the notes are rated at least Baa3 by Moody's Investors Service, Inc. and at least BBB- by Standard & Poor's Ratings Service, will restrict our ability and the ability of our restricted subsidiaries to, among other things:
	incur additional indebtedness;
	pay dividends or make other restricted payments;
	apply the proceeds of asset sales;
	create or permit restrictions on the ability of our restricted subsidiaries to pay dividends or make other distributions to us;
	enter into transactions with affiliates; or
	consolidate, merge or sell all or substantially all of our assets.
	The indenture will also contain covenants that apply even if the notes are rated at least Baa3 by Moody's Investors Service, Inc. and at least BBB- by Standard & Poor's Ratings Service, including covenants that restrict our ability to:
	create or permit liens; or
	incur layered indebtedness.
	All of these restrictive covenants are subject to a number of important exceptions and qualifications. See "Description of the Notes Certain Covenants."
Absence of an Established Market for the Notes	The notes are a new issue of securities, and currently there is no market for them. We do not intend to list the notes on any securities exchange or to arrange for any quotation system to quote them. We cannot assure you that a liquid market will develop for the notes.
Use of Proceeds	We estimate that the net proceeds from the offering after deducting the underwriters' commissions and expenses will be approximately $488.7 million. We intend to use the net proceeds to repurchase LYONs, in the open market, upon the exercise of holders' rights to require us to repurchase LYONs on August 2, 2005 (which we may elect to settle in cash or subordinate voting shares) or otherwise, and for general corporate purposes, including future acquisitions.

For a discussion of certain risks that should be considered in connection with an investment in the notes, see "Risk Factors" starting on page S-11 of this prospectus supplement and starting on page 4 of the accompanying prospectus.

Summary Financial Data

The following tables set forth certain consolidated financial data derived from our consolidated financial statements. The financial data as at December 31, 2002 and 2003 and for each of the years ended December 31, 2001, 2002 and 2003, has been derived from our audited consolidated financial statements for the years ended December 31, 2001, 2002 and 2003 and the unaudited financial data as at March 31, 2004 and for the three months ended March 31, 2003 and 2004, has been derived from our unaudited interim financial statements for the three months ended March 31, 2003 and 2004 that are included in this prospectus supplement. The financial data as at and for the years ended December 31, 1999 and 2000 has been derived from our audited consolidated financial statements not included in this prospectus supplement.

In the opinion of management, our unaudited interim consolidated financial statements for the three months ended March 31, 2003 and 2004 contain all adjustments (consisting solely of normal recurring adjustments) necessary for a fair presentation of the results for such periods. Interim results are not necessarily indicative of the results that may be achieved for the entire fiscal year. You should read the following summary financial data together with "Management's Discussion and Analysis of Financial Condition and Results of Operations," our 2003 consolidated financial statements (including the notes thereto), the other information included in this prospectus supplement and the information we incorporate by reference.

Our consolidated financial statements have been prepared in accordance with Canadian GAAP. These principles conform in all material respects with U.S. GAAP except as described in note 20 to our 2003 consolidated financial statements. For all the periods presented, the summary financial data is prepared in accordance with Canadian GAAP unless otherwise indicated.

	Year ended December 31					Three months ended March 31	
	1999(1)	2000(1)	2001(1)	2002(1)	2003(1)	2003(1)	2004(1)
						(unaudited)	
	(in millions)						
Consolidated Statements of Earnings (Loss) Data (Canadian GAAP):							
Revenue	$ 5,297.2	$ 9,752.1	$ 10,004.4	$ 8,271.6	$ 6,735.3	$ 1,587.4	$ 2,016.9
Cost of sales	4,914.7	9,064.2	9,292.4	7,716.5	6,475.2	1,511.9	1,929.0
Gross profit	382.5	687.9	712.0	555.1	260.1	75.5	87.9
Selling, general and administrative expenses(2)	202.2	326.1	341.4	298.5	273.8	64.2	78.9
Amortization of goodwill and intangible assets(3)	55.6	88.9	125.0	95.9	48.5	12.4	7.2
Integration costs related to acquisitions(4)	9.6	16.1	22.8	21.1			
Other charges(5)			273.1	677.8	175.4	(1.6)	10.9
Operating income (loss)	115.1	256.8	(50.3)	(538.2)	(237.6)	0.5	(9.1)
Interest expense (income), net(6)	10.7	(19.0)	(7.9)	(1.1)	(4.0)	(3.4)	1.0
Earnings (loss) before income taxes	104.4	275.8	(42.4)	(537.1)	(233.6)	3.9	(10.1)
Income tax expense (recovery)	36.0	69.2	(2.1)	(91.2)	33.1	0.7	(1.7)
Net earnings (loss)	$ 68.4	$ 206.6	$ (40.3)	$ (445.9)	$ (266.7)	$ 3.2	$ (8.4)
Other Financial Data:							
Depreciation expense	$ 69.5	$ 121.9	$ 193.1	$ 212.8	$ 172.0	$ 43.4	$ 41.3
Capital expenditures	211.8	282.8	199.3	151.4	175.9	18.1	56.4

	Year ended December 31					Three months ended March 31	
Consolidated Statements of Earnings (Loss) Data (U.S. GAAP)(7):							
Operating income (loss)	$ 113.2	$ 254.4	$ (40.0)	$ (569.8)	$ (210.5)		
Net earnings (loss)	66.5	197.4	(51.3)	(494.9)	(258.9)		

	As at December 31					As at March 31
	1999[1]	2000[1]	2001[1]	2002[1]	2003[1]	2004[1]
						(unaudited)
	(in millions)					
Consolidated Balance Sheet Data (Canadian GAAP):						
Cash and short-term investments	$ 371.5	$ 883.8	$ 1,342.8	$ 1,851.0	$ 1,028.8	$ 831.0
Working capital[8]	1,000.2	2,262.6	2,339.8	2,093.2	1,513.6	1,506.7
Capital assets	365.4	634.0	917.1	730.2	681.4	732.2
Total assets	2,655.6	5,938.6	6,634.9	5,809.2	5,136.5	5,684.6
Total long-term debt, including current portion[9]	134.2	132.0	147.4	6.9	3.4	6.3
Shareholders' equity	1,658.1	3,469.2	4,745.0	4,202.3	3,466.1	3,736.2
Consolidated Balance Sheet Data (U.S. GAAP)[7]:						
Total assets	$ 2,653.6	$ 5,936.0	$ 6,640.3	$ 5,805.4	$ 5,181.3	
Total long-term debt, including current portion	134.2	1,005.1	1,046.8	831.7	626.4	
Shareholders' equity	1,656.2	2,605.4	3,841.1	3,344.4	2,854.7	

(1)

Effective January 1, 2004, we retroactively adopted the new Canadian Institute of Chartered Accountants (CICA) Handbook Section 3110, which requires the recognition of liabilities for asset retirement obligations and the associated retirement costs, and have retroactively restated our results of operations for all prior periods. The impact to our cost of sales and net earnings (loss) for Canadian GAAP for the year ended December 31, 2003 was $0.9 million (2002 $0.7 million; 2001 $0.5 million; 2000 $0.1 million) and $0.2 million for the three months ended March 31, 2003. The impact on 1999 was immaterial. See note 23 to the 2003 consolidated financial statements.

The consolidated statements of earnings (loss) data for:

1999, 2000, 2001, 2002, 2003 and the three months ended March 31, 2003 and 2004 include the results of operations of International Manufacturing Services, Inc. (IMS) acquired in December 1998, Signar SRO acquired in April 1999, greenfield operations established in Brazil and Malaysia in June 1999, VXI Electronics, Inc. acquired in September 1999, the assets acquired from Hewlett-Packard's Healthcare Group in October 1999, EPS Wireless, Inc. acquired in December 1999, and certain assets acquired from Fujitsu-ICL Systems Inc. in December 1999;

2000, 2001, 2002, 2003 and the three months ended March 31, 2003 and 2004 include the results of operations of the assets of the Enterprise System Group and the Microelectronics Division of IBM in Minnesota and in Italy acquired in February and May 2000, respectively, NDB Industrial Ltda. acquired in June 2000, Bull Electronics Inc. acquired in August 2000, and NEC Technologies (UK) Ltd. acquired in November 2000;

2001, 2002, 2003 and the three months ended March 31, 2003 and 2004 include 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;

2002, 2003 and the three months ended March 31, 2003 and 2004 include the results of operations of certain assets of NEC Corporation in Miyagi and Yamanashi, Japan acquired in March 2002, and certain assets of Corvis Corporation in the United States acquired in August 2002; and the three months ended March 31, 2004 include the results of operations of MSL acquired in March 2004.

(2)

Selling, general and administrative expenses include research and development costs. During 2003, we adopted the revised CICA Handbook Section 3870, "Stock Based Compensation," which requires that a fair value method of accounting be applied to all stock-based compensation payments to both employees and non-employees. In accordance with the transitional provisions of Section 3870, we have prospectively applied the fair value method of accounting for stock option awards granted after January 1, 2003 and, accordingly, have recorded compensation expense of $0.3 million in 2003 and $1.6 million for the three months ended March 31, 2004. Prior to January 1, 2003, we accounted for our stock options using the settlement method and no compensation expense was recognized.

(3)

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

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

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

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

	Year ended December 31	
	2001	**2002**
	(in millions, except per share amounts)	
Net loss as reported	$ (40.3)	$ (445.9)
Add back: goodwill amortization	39.2	
Net loss before goodwill amortization	$ (1.1)	$ (445.9)
Basic loss per share:		
As reported	$ (0.26)	$ (1.98)
Before goodwill amortization	$ (0.08)	$ (1.98)
Diluted loss per share:		
As reported	$ (0.26)	$ (1.98)
Before goodwill amortization	$ (0.08)	$ (1.98)

(4) 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.

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

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

In 2003, other charges totaled $175.4 million comprised primarily of (a) a $94.9 million restructuring charge and (b) a non-cash write-down of $82.8 million relating to the annual impairment assessment of long-lived assets, primarily a write-down of intangible assets and capital assets.

Effective January 1, 2003, we adopted the new CICA Handbook Section 3063, "Impairment or Disposal of Long-Lived Assets" and the revised Section 3475, "Disposal of Long-Lived Assets and Discontinued Operations," which are consistent with U.S. GAAP. These sections establish standards for recognizing, measuring and disclosing impairment for long-lived assets held-for-use, and for measuring and separately classifying assets available-for-sale. Previously, long-lived assets were written down to net recoverable value if the undiscounted future cash flows were less than net book value. Under the new standards, assets must be classified as either held-for-use or available-for-sale. Impairment losses for assets held-for-use are measured based on fair value which is measured by discounted cash flows. Available-for-sale assets are measured based on expected proceeds less direct costs to sell.

Effective January 1, 2003, we adopted the new CICA Emerging Issues Committee Abstracts EIC-134, "Accounting for Severance and Termination Benefits," and EIC-135, "Accounting for Costs Associated with Exit and Disposal Activities," which establishes standards for recognizing, measuring and disclosing costs relating to an exit or disposal activity. These standards are similar to U.S. GAAP. We have applied the new standards to restructuring plans initiated after January 1, 2003. These EICs allow recognition of a liability for an exit or disposal activity only when the costs are incurred and can be measured at fair value. Previously, a commitment to an exit or disposal plan was sufficient to record the majority of costs.

(6) Interest expense (income), net is comprised of interest expense incurred on indebtedness and debt facilities, less interest income earned on cash and short-term investments.

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

- for 1999: non-cash charges for compensation expense;

- for 2000: non-cash charges for compensation expense, interest on the convertible debt we issued in August 2000 and classification of the convertible debt as a long-term liability rather than as an equity instrument and retroactive recognition of asset retirement obligations for Canadian GAAP;

- for 2001: non-cash charges for compensation expense, interest on convertible debt classified as a long-term liability rather than as an equity instrument, retroactive recognition of asset retirement obligations for Canadian GAAP, impairment charges to write-down certain assets and gain on a foreign exchange contract;

- for 2002: non-cash charges for compensation expense, interest on convertible debt classified as a long-term liability rather than as an equity instrument, impairment charges to write-down certain assets, retroactive recognition of asset retirement obligations for Canadian GAAP and gain on repurchase of convertible debt; and

- for 2003: interest on convertible debt classified as a long-term liability rather than as an equity instrument, impairment on certain long-lived assets, retroactive recognition of asset retirement obligations for Canadian GAAP, gain on repurchase of convertible debt and the adoption of fair value accounting for stock compensation expense for Canadian GAAP only.

For 2003, net loss in accordance with U.S. GAAP reflects the accumulated effect of the change in accounting policy for asset retirement obligations.

(8) Calculated as current assets less current liabilities.

(9) Long-term debt includes capital lease obligations.

RISK FACTORS

This offering involves a high degree of risk. You should carefully consider each of the following risks and all of the other information set forth in this prospectus supplement and prospectus, before deciding to invest in our notes. If any of the risks and uncertainties we describe develop into actual events, our business, financial condition and results of operation could be materially adversely affected and you may lose all or part of your investment.

Risks Related to the Notes and the Offering

Our indebtedness could impair our financial condition and prevent us from fulfilling our obligations under the notes.

After giving effect to the offering and the execution of our new senior credit facility, as reported under Canadian GAAP, we would have had $506.3 million of debt outstanding and shareholders' equity of $3,736.2 million at March 31, 2004, and our deficiency of earnings to cover fixed charges would have been $256.0 million and $15.7 million for the year ended December 31, 2003 and the three months ended March 31, 2004, respectively.

Our indebtedness could:

- make it more difficult to fulfill our obligations under the notes;
- require us to dedicate a substantial portion of our cash flow from operations to required payments on indebtedness, thereby reducing the availability of cash flow for working capital, capital expenditures and other general corporate activities;
- limit our ability to obtain additional financing in the future for working capital, capital expenditures and other general corporate activities;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- detract from our ability to successfully withstand a downturn in our business or the economy in general; and
- place us at a competitive disadvantage against other less leveraged competitors.

Despite our debt levels, we may incur additional debt.

We may be able to incur significant additional indebtedness. Our new senior credit facility permits, and the indenture governing the notes will permit, additional borrowings after the offering of the notes under certain circumstances. See "Description of Certain Indebtedness" and "Description of the Notes Certain Covenants." As of March 31, 2004, after giving pro forma effect to the issuance of the notes, we would have had approximately $160 million of additional borrowings available to us under our new senior credit facility, subject to compliance with our financial and other covenants under the terms of the agreement governing our new senior credit facility. The holders of our LYONs may also require us to repurchase their LYONs on August 2, 2005, and we may need to incur additional debt in order to meet this obligation.

We may be unable to generate sufficient cash flow or obtain additional financing to meet our debt service obligations, which could impair our ability to repay the notes.

In recent periods, we have experienced negative cash flow, and we cannot assure you that our future cash flow will be sufficient to meet the payment obligations under the notes or our other indebtedness. Our ability to generate cash flow from operations to make scheduled payments on our indebtedness, including the notes, as they become due will depend on our future financial performance, which will be affected by a range of economic, competitive and business factors. Many of these factors, such as general economic and financial conditions in the computing and communications industry, the economy at large or the initiatives of our competitors, are beyond our control.

If we do not generate sufficient cash flow from operations to satisfy our debt obligations or fund our liquidity needs, we may have to seek additional capital or undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets or reducing or delaying capital investments. Any of these actions could result in unanticipated costs, disrupt the implementation of our business plan or otherwise hinder our growth. Moreover, we may be unable to take any of these actions on satisfactory terms, in a timely manner or to the extent necessary to enable us to service our debt. The recent downgrading of our credit rating by Standard & Poor's and of our senior implied rating by Moody's, or any future downgrades, could reduce the availability and flexibility of our future financings and increase our financing costs. Our inability to generate sufficient cash flow or to raise additional capital in order to satisfy our debt obligations or to refinance our indebtedness on commercially reasonable terms, would have a material adverse effect on our business, financial condition and results of operations and could impair our ability to repay the notes.

We conduct substantially all of our operations through our subsidiaries, which may affect our ability to make payments on the notes.

The notes are our obligations and are not obligations of our subsidiaries. We are a holding company and, accordingly, substantially all of our operations are conducted through our subsidiaries. As a result, our cash flow and our ability to service our debt, including the notes, depend upon the earnings of our subsidiaries. In addition, we depend on the distribution of earnings, loans or other payments by our subsidiaries to us.

Our subsidiaries are separate and distinct legal entities. Our subsidiaries have no obligation to pay any amounts due on the notes. In addition, our material subsidiaries provide unsecured guarantees of our obligations under our new senior credit facility; however, our subsidiaries are not providing guarantees of our obligations under the notes. Our subsidiaries are not required to provide us with funds for our payment obligations, whether by dividends, distributions, loans or other payments. The indenture will not prohibit restrictions on our subsidiaries making dividend or other payments to us. As a result, our subsidiaries will be able to incur debt subject to financial maintenance and other covenants that, if not satisfied, may restrict these subsidiaries from making dividend and other payments to us. In addition, contractual restrictions and provisions of law, such as those requiring that dividends be paid only out of surplus, and laws limiting the ability of a subsidiary to render "financial assistance" to its parent by way of loan or otherwise, will limit the ability of our subsidiaries to make distributions, loans or other payments to us. Payments to us by our subsidiaries will also be contingent upon our subsidiaries' earnings and business considerations.

Our right to receive any assets of any of our subsidiaries upon their liquidation or reorganization, and therefore the right of the holders of the notes to participate in those assets, will be effectively subordinated to the claims of that subsidiary's creditors, including trade creditors. In addition, even if we were a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to that held by us.

The restrictive covenants in our debt instruments may affect our ability to operate our business successfully.

Our new senior credit facility contains, and the indenture governing the notes will contain, a number of restrictive covenants that, among other things, limit our ability to incur additional indebtedness, create liens, pay dividends on or redeem capital stock or make certain restricted payments, make certain investments, dispose of assets, engage in transactions with affiliates, engage in certain business activities and engage in mergers or consolidations. In addition, our new senior credit facility requires us to meet or exceed specified financial ratios, which are measured on a quarterly basis. These restrictions could limit our ability to obtain future financing, make needed capital expenditures, take advantage of business opportunities, including acquisitions and dispositions, withstand a future downturn in our business or the economy in general or otherwise conduct necessary corporate or business activities. Our failure to comply with any of these covenants would cause a default under the applicable instrument, which in turn could cause an event of default under instruments governing our other existing and future indebtedness, all of which would have a material adverse effect on our business, financial condition and results of operations. We urge you to read the information under "Description of Certain Indebtedness" and "Description of the Notes Certain Covenants" for a more detailed discussion of these restrictions and covenants.

In the event of a default and acceleration of any of our debt, we may be unable to repay the notes.

If there were an event of default under our new senior credit facility, the notes or any other future indebtedness, the holders of the affected indebtedness could declare all of that indebtedness immediately due and payable, which, in turn, could cause the acceleration of the maturity of all of our other indebtedness. We cannot assure you that we would have sufficient funds available, or access to sufficient capital from other sources, to repay any accelerated debt. Even if we could obtain additional financing, we cannot assure you that the terms would be favorable to us. Our new senior credit facility ranks senior to the notes in right of payment. We cannot assure you that our assets would be sufficient to repay borrowings under our new senior credit facility and the amounts due under the notes in full.

Your right to receive payment on the notes will be subordinated to all our existing and future senior debt.

The notes will be unsecured and subordinated in right of payment to all of our existing and future senior debt, including our obligations under our new senior credit facility. The notes will not be secured by any of our assets and, therefore, they will be subordinated to any secured debt or unsecured senior debt that we may have now or may incur in the future. Subject to certain limitations, our new senior credit facility permits us to incur additional senior debt in the future. The indebtedness under our new senior credit facility will also become due prior to the time the principal obligations under the notes become due.

In the event that we are declared bankrupt, become insolvent or are liquidated or reorganized, our assets will be available to pay obligations on the notes only after all of our senior debt and the debt of our subsidiaries has been paid in full. Substantially all of our assets including the equity we hold in our subsidiaries and our subsidiaries' assets will be pledged to secure the indebtedness under our new senior credit facility, and there may not be sufficient assets remaining to pay amounts due on any or all of the notes. Holders of the notes will participate with all other holders of our subordinated indebtedness in the assets remaining after we have paid all of our senior debt. We may not have sufficient funds to pay all of our creditors and holders of notes may receive less, ratably, than the holders of our senior debt. In addition, all payments on the notes will be blocked in the event of a payment default on certain of our senior debt and may be blocked for up to 179 consecutive days in the event of certain non-payment defaults on certain of our senior debt.

As at March 31, 2004, after giving effect to the offering and our new senior credit facility, approximately $160 million of senior debt would have been available for borrowing under our new senior credit facility, and our subsidiaries, some of which guarantee our borrowings under our new senior credit facility but none of which guarantee the notes, would have had approximately $1.9 billion in outstanding external liabilities.

We may be unable to repurchase the notes following a change of control.

If a change of control (as defined in the indenture) occurs, we will be required to make an offer to purchase all the outstanding notes. Our failure to make this offer upon a change of control or to repurchase notes tendered pursuant to the offer would cause an event of default under the indenture. Certain events described in the indenture's change of control provisions would also result in an event of default under our new senior credit facility and may result in the acceleration of the new senior credit facility, in which case we would be required to pay all amounts outstanding under our new senior credit facility. A change of control (as defined in the indenture governing the LYONs) on or before August 1, 2005 will also require us to make an offer to repurchase all of the outstanding LYONs. If a change of control were to occur, our available funds could be insufficient to repurchase the notes, the LYONs and any other securities we were required to purchase, and to repay outstanding borrowings under the new senior credit facility. We expect that we would require additional financing to fund any such payments, which may not be available on commercially reasonable terms or at all. We urge you to read the information under "Description of the Notes Repurchase at the Option of Holders Upon a Change of Control Offer" for more information regarding the treatment of a change of control under the indenture.

You may be unable to sell the notes because there is no active trading market for the notes.

The notes are a new issue for which there is no established public market. Subsequent to their initial issuance, the notes may trade at a discount from their initial offering price depending upon prevailing interest rates, the market for similar notes, our performance and other factors. The underwriters have advised us that they currently intend to make a market in the notes. However, the underwriters of the offering are not obligated to make a market in the notes, and they may discontinue their market-making activities at any time without notice. Therefore, we cannot assure you that an active market for the notes will develop or, if one develops, that it will continue.

Canadian bankruptcy and insolvency laws may impair the enforcement of remedies under the notes.

The rights of the trustee who represents the holders of the notes to enforce remedies are likely to be significantly impaired by the restructuring provisions of applicable Canadian federal bankruptcy, insolvency and other restructuring legislation if the benefit of such legislation is sought with respect to us. For example, both the Canadian Bankruptcy and Insolvency Act and the Canadian Companies' Creditors Arrangement Act contain provisions enabling an insolvent person to obtain a stay of proceedings against its creditors and others and to prepare and file a proposal or plan of compromise or arrangement to be voted on by the various classes of its affected creditors. A proposal, compromise or arrangement, if accepted by the requisite majorities of each affected class of creditors, and if approved by the relevant Canadian court, would be binding on all creditors within each affected class that did not vote to accept the proposal, compromise or arrangement. Moreover, this legislation permits the insolvent debtor to retain possession and administration of its property, subject to court oversight, even though it may be in default under the applicable debt instrument during the period the stay against proceedings remains in place.

The powers of the court under the Bankruptcy and Insolvency Act and particularly under the Companies' Creditors Arrangement Act have been exercised broadly to protect an entity attempting to restructure its affairs from actions taken by creditors and other parties. Accordingly, we cannot predict whether payments under the notes would be made during any proceedings in bankruptcy, insolvency or other restructuring, whether or when the trustee could exercise its rights under the indenture governing the notes or whether and to what extent holders of the notes would be compensated for any delays in payment, if any, of principal, interest and costs, including the fees and disbursements of the trustee.

The interest of our controlling shareholder may conflict with the interest of our other securityholders.

Onex Corporation owns, directly or indirectly, or has the right to vote, shares representing 84.1% of the voting interest in us. See "Principal Shareholders." 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, the sale of all or substantially all of our assets and plans of arrangement in certain circumstances. 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 securityholders. 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. The interests of Onex and Mr. Schwartz may differ from the interests of our other securityholders.

Civil liabilities and judgments in the United States may be unenforceable.

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

Holders of the notes are subject to restrictions on the resale of the notes outside of the United States.

We are selling the notes in reliance on exemptions from applicable Canadian provincial securities laws and the laws of other jurisdictions where the notes are being offered and sold, and therefore the notes may be transferred and resold only in compliance with the laws of those jurisdictions to the extent applicable to the transaction, the transferor and/or the transferee. Although the notes are registered under the U.S. Securities Act, we did not, and do not intend to, qualify by prospectus the notes for sale to the public in Canada and, accordingly, the notes will remain subject to restrictions on resale in Canada. In addition, other non-U.S. holders will remain subject to restrictions imposed by the jurisdiction in which the holder is resident.

Risks Related to our Business

We have had recent operating losses and significant restructuring charges and may experience losses and restructuring charges in future periods.

We generated net earnings in 1999 and 2000. We recorded net losses of $40.3 million in 2001, $445.9 million in 2002, $266.7 million in 2003 and $8.4 million in the three months ended March 31, 2004. 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, intangible assets and certain long-term equity investments, with these charges totaling $295.9 million ($245.2 million after income taxes). In 2002, we incurred $21.1 million of integration costs related to acquisitions, $385.4 million of restructuring charges, a $285.4 million write-down of certain assets, primarily goodwill and intangible assets, and $9.6 million in deferred financing costs and debt redemption fees, with these charges totaling $701.5 million ($582.2 million after income taxes). In 2003, we incurred $94.9 million of restructuring charges, a $25.3 million write-down of intangible assets and a $57.5 million impairment against capital assets, with these charges totaling $177.7 million ($166.8 million after income taxes). In April 2004, we announced additional pre-tax restructuring charges of between $175.0 million and $200.0 million to be recorded over the next 12 months. We have undertaken numerous initiatives to restructure and reduce our capacity in response to the difficult economic climate, with the intention of improving utilization and realizing cost savings in the future. These initiatives have included changing the number and location of our production facilities, largely to align our capacity and infrastructure with anticipated customer demand, and to rationalize our operations worldwide. We will continue to evaluate our operations, and may propose future restructuring actions as a result of changes in the marketplace, including the possibility of exiting service offerings no longer sought by our customers. Any failure to successfully execute these initiatives, including any delay in effecting these initiatives, can have a material adverse impact on our results. Furthermore, we may not be profitable in future periods.

We are in a highly competitive industry which has resulted in lower prices, reduced gross margins and loss of revenue.

We are in a highly competitive industry. We compete on a global basis to provide EMS services to OEMs in the communications, high-end computing, personal computing, storage, aerospace and defense, automotive, industrial and consumer end markets. Our competitors include major domestic and foreign companies such as Flextronics International Ltd., Hon Hai Precision Industry Co., Ltd., Sanmina-SCI Corporation, Solectron Corporation and Jabil Circuit, Inc., as well as smaller EMS companies that often have a regional product, service or industry specific focus. In addition, in recent years, original design manufacturers (ODMs), which are companies that provide design and manufacturing services to OEMs, have been increasing their share of outsourced manufacturing services provided to OEMs in several markets, such as notebook and desktop computers, personal computer motherboards, and consumer electronic products, such as cell phones. While we have not, to date, encountered significant competition from ODMs, such competition may increase if our business in these markets grows or if ODMs expand further into or beyond these markets. We also face indirect competition from the manufacturing operations of our current and prospective customers, which continually evaluate the merits of manufacturing products internally rather than using EMS providers.

Some of our competitors have more geographically diversified international operations, a greater production presence in lower cost geographies, as well as substantially greater manufacturing, financial, procurement, research and development and marketing resources than we have. These competitors may create alliances and rapidly acquire significant market share. Accordingly, our current or potential competitors may develop or acquire services comparable or superior to those we develop, combine or merge to form larger competitors, or adapt more quickly than we will to new technologies, evolving industry trends and changing customer requirements.

Competition has caused and may continue to cause price reductions, reduced profits or loss of market share, any of which could materially and adversely affect us. In addition, the EMS industry has been experiencing an increase in excess manufacturing capacity as well as increased competition from Asian competitors. This has and will continue to exert additional pressures on pricing for components and services, thereby increasing the competitive pressures in the EMS industry. We may not be able to compete successfully against current and future competitors, and the competitive pressures we face may materially adversely affect us.

We are dependent on the computing and communications industries and are exposed to changes in general economic conditions that can adversely impact our business, operating results and financial condition.

As a result of unfavorable general economic conditions over the past three years and the reduced demand for technology capital goods, our sales have been negatively affected. Our financial performance depends on our customers' viability, financial stability, and the end-market demand for our customers' products. Most of our customers, in turn, depend substantially on the growth of the computing and communications industries. The computing and communications industries are characterized by rapidly changing technologies and shortening product lifecycles. These industries have experienced severe revenue erosion, pricing and margin pressures, excess inventories, and increased difficulty in attracting capital over the past few years. As a result of these factors, since the first quarter of 2001, we have seen declines in the demand for products in the end markets that we serve. Although we experienced some improvements during the fourth quarter of 2003 and the first quarter of 2004, these factors and their impact on our customers could continue to have a material adverse effect on our business.

We depend on a limited number of customers for a substantial portion of our revenue and declines in sales to these customers could adversely affect our operating results.

Our three largest customers for the three months ended March 31, 2004 were Cisco Systems, Inc., IBM and Lucent Technologies Inc., each of which represented more than 10% of our total first quarter 2004 revenue and which in aggregate represented 34% of our total first quarter 2004 revenue.

Our four largest customers in 2003 were Cisco Systems, Inc., IBM, Lucent Technologies Inc. and Sun Microsystems, Inc., each of which represented more than 10% of our total 2003 revenue and in the aggregate represented 44% of our total 2003 revenue. Our top ten customers represented 73% of total 2003 revenue. Our three largest customers in 2002 were IBM, Lucent Technologies Inc. and Sun Microsystems, Inc. each of which represented more than 10% of our total 2002 revenue and collectively represented 48% of our total 2002 revenue. Our top ten largest customers represented 85% of our total revenue in 2002. We expect to continue to depend upon a relatively small number of customers for a significant percentage of our revenue. There was a steady decline in revenue from our top three customers in 2003, as their volumes were most negatively impacted by the broad-based reductions in corporate spending for computing and communications infrastructure products. In addition, some of our customers have in the past significantly reduced or delayed the volume of manufacturing services ordered from us. We cannot assure you that present or future large customers will not terminate their manufacturing arrangements with us or significantly change, reduce or delay the amount of manufacturing services ordered from us, any of which would adversely affect our operating results.

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

Inherent difficulties in managing capacity utilization place strains on our planning and affect our results of operations.

Our customers are increasingly dependent on EMS providers for new product introductions and rapid response times to volume requirements. Most of our customers typically do not commit to firm production schedules for more than 30 to 90 days in advance and we often experience reduced lead-times in customers' orders. Accordingly, we cannot forecast the level of customer orders with certainty. This makes it difficult to order appropriate levels of materials and to schedule production and maximize utilization of our manufacturing capacity. In the past, we have been required to increase staffing, purchase materials, and incur other expenses to meet the anticipated demand of our customers. In addition, 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, intense competition with respect to some of our customers' products and general order volume volatility has resulted, and may continue to result, in some of our customers delaying or canceling the delivery of some of the products we manufacture for them, and placing purchase orders for lower volumes of products than previously anticipated. Cancellation, reduction or delays by a significant customer, by a group of customers, or by a single customer whose production is material to an individual facility would seriously harm our results of operations by reducing the volumes of products manufactured and delivered by us for the customers in that period. Such order changes could also cause a delay in the repayment to us for inventory expenditures we incurred in preparation for the customer orders or, in certain circumstances, require us to return the inventory to our suppliers, re-sell the inventory to another customer or continue to hold the inventory, in any case absorbing some of the cost. Order cancellations and delays could also lower asset utilization, resulting in higher levels of unproductive assets and lower margins. On other occasions, customers have required rapid and sudden increases in production, which has placed an excessive burden on our manufacturing capacity. Any of these factors or a combination of these factors could have a material adverse effect on our results of operations.

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

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

During 2003, more than half of our revenue was produced from locations outside of North America. In addition, we purchased material from international suppliers for much of our business, including our North American business. We believe that our future growth depends largely on our ability to increase our business in international markets and, as we describe above, to shift much of our production to lower cost geographies. We will continue to expand our operations outside of North America.

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

- labor unrest and differences in regulations and statutes governing employee relations;
- 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;
- burdens of complying with a wide variety of foreign laws, including changing import and export regulations, which could erode our profit margins or restrict exports;
- adverse changes in trade policies between countries in which we maintain operations;

- political instability;
- potential restrictions on the transfer of funds;
- inflexible employee contracts that restrict our flexibility in responding to business downturns; and
- foreign exchange risks.

We have either purchased or built manufacturing facilities in numerous Asian countries, including Thailand, Malaysia, China, Indonesia, Singapore and the Philippines, 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, 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. The Philippines, Thailand and Indonesia have each also had a long history of promoting foreign investment but have experienced economic and political turmoil and significant fluctuations in the value of their currencies in the recent past. There is a risk that economic and political turmoil may result in the reversal of current policies encouraging foreign investment and trade, restrictions on the transfer of funds overseas, employee turnover, labor unrest or other domestic problems that could adversely affect us.

Our results can be affected by limited availability of components.

A significant portion of our costs is for electronics components. All of the products we manufacture require one or more components that we order from suppliers of these particular components. In many cases, there may be only one supplier of a particular component. Supply shortages for a particular component can delay production and thus delay revenue of all products using that component or cause price increases in the products and services we provide. In the past, we have secured sufficient allocations of constrained components so that revenue was not materially impacted. In addition, at various times there have been industry-wide shortages of electronic components. Such shortages, or future fluctuations in material costs, may have a material adverse effect on our business or cause our results of operations to fluctuate from period to period.

Restrictions on our ability to restructure quickly enough in some of our key manufacturing regions, such as Europe, can affect the timing and effectiveness of our restructuring efforts.

We have operations in multiple regions around the world. As a result, we are subject to different regulatory requirements governing how quickly we are able to reduce manufacturing capacity and terminate related employees, and these requirements are particularly stringent in Europe. Restrictions on our ability to close under-performing facilities will result in higher expenses associated with carrying excess capacity and infrastructure during our restructuring activities.

Our increased reference design activity may reduce our profitability.

We have recently begun providing reference design services, in which we design and develop off-the-shelf hardware that enables OEMs to enhance their own products roadmaps with standard or easily customizable systems that we or our key technology partners develop. The success of our product development efforts in 64-bit and other technologies is dependent on market acceptance and the adoption of these new technologies, the competitiveness of our offerings and our investment levels. In connection with this undertaking, we have made investments in the resources and assets necessary to design, develop and supply these products that are more significant than our typical service offerings, and we may not generate sales sufficient to cover our expenses or earn any profits from these efforts if our customers do not approve the designs in a timely manner or at all. We may design and develop products for our customers prior to receiving purchase orders or other firm commitments from them, and sell standard products through distributors. Accordingly, we may purchase inventory for production runs before we have any purchase commitments.

Our customers may be adversely affected by rapid technological change which can adversely impact our business.

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

Failure of our customers to timely pay the amounts owed to us may adversely affect our results of operations.

We generally provide payment terms ranging from 30 to 60 days. As a result, we generate significant accounts receivable from sales to our customers, historically representing 22% to 26% of current assets. Accounts receivable from sales to customers at March 31, 2004 was $931.4 million (December 31, 2003 $771.5 million; December 31, 2002 $785.9 million; December 31, 2001 $1,054.1 million). At March 31, 2004, one customer represented 15% of our total accounts receivable (December 31, 2003 one customer represented 18% of total accounts receivable; December 31, 2002 one customer represented 28% of total accounts receivable; December 31, 2001 two customers represented 14% and 26% of total accounts receivable, respectively). If any of our customers have insufficient liquidity, we may encounter significant delays or defaults in payments owed to us by customers, and may extend our payment terms, which may have a significant adverse effect on our financial condition and results of operations. We regularly review our accounts receivable valuations and make adjustments when necessary. Our allowance for doubtful accounts at March 31, 2004 was $48.1 million (December 31, 2003 $50.3 million; December 31, 2002 $62.4 million; December 31, 2001 $74.6 million), which represented 4.9% of the gross accounts receivable balance (December 31, 2003 6.1%; December 31, 2002 7.4%; December 31, 2001 6.6%). Historically, the credit-related accounts receivable adjustments have not been significant to our results of operations. For the three months ended March 31, 2004, we wrote off accounts receivable of $1.0 million (December 31, 2003 $14.2 million; December 31, 2002 $30.0 million; December 31, 2001 $11.8 million) against the allowance for doubtful accounts in the normal course of business.

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

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

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

A significant portion of our growth in prior years was generated through acquisitions. These transactions have involved acquisitions of entire companies and acquisitions of selected assets from OEMs. These assets typically consist primarily of equipment, inventory and, in certain cases, facilities or facility leases. OEM asset divestiture transactions also typically involve our entering into new supply agreements with OEMs. Acquisitions may involve difficulties, including:

- integrating acquired operations, systems and businesses;
- maintaining customer, supplier or other favorable business relationships of acquired operations and restructuring or terminating unfavorable relationships;
- addressing unforeseen liabilities of acquired businesses;
- lack of experience operating in the geographic market or industry sector of the business acquired;

- losing key employees of acquired operations; and

- not achieving the anticipated business volumes.

Any of these factors could prevent us from realizing the anticipated benefits of the acquisition, including operational synergies, economies of scale and increases in the value of our business. Our failure to realize the anticipated benefits of acquisitions could adversely affect our business and operating results.

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

In certain of our contracts, we provide a warranty against defects in our designs or deficiencies with respect to our manufacturing processes. A successful product liability claim in excess of our insurance coverage, or any material claim for which insurance coverage was denied or limited and for which indemnification was not available, could have a material adverse effect on our business, results of operations and financial condition.

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

We conduct business operations in a number of countries, including countries where:

- tax incentives have been extended to encourage foreign investment; or

- income tax rates are low.

We develop our tax position based upon the anticipated nature and structure of our business and the tax laws, administrative practices and judicial decisions now in effect in the countries in which we have assets or conduct business, all of which are subject to change or differing interpretations, possibly with retroactive effect. Any such change would increase our income taxes and adversely affect our results of operations and our liquidity.

We face financial risks due to foreign currency fluctuations.

The principal currency in which we conduct our operations is U.S. dollars. However, some of our subsidiaries transact business in foreign currencies, such as Canadian dollars, Mexican pesos, British pounds sterling, Euros, Singapore dollars, Japanese yen, Chinese renminbi, Czech koruna and the Thai baht. We 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 25 months. Our hedging transactions may not successfully minimize foreign currency risk, which could have a material adverse effect on our results of operations.

The efficiency of our operations could be adversely affected by any delay in delivery from our suppliers.

We rely on a variety of common carriers for materials and product transportation and for routing these through various world ports. A work stoppage, strike or shutdown of any important supplier's facility, or any major port or airport could result in manufacturing and shipping delays or expediting charges, which could have a material adverse effect on our results of operations.

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

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

We may be unable to keep pace with technology changes.

We continue to evaluate the advantages and feasibility of new manufacturing processes. Our future success will depend in part upon our ability to develop and to market manufacturing services which meet

S-20

changing customer needs, to maintain technological leadership, and to successfully anticipate or respond to technological changes in production, manufacturing and supply chain processes in cost-effective and timely ways. Our manufacturing and supply chain processes, test development efforts and design capabilities may not be successful.

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

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, because OEMs decide to perform these functions internally, our future growth will be limited.

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

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

Our compliance with environmental laws could be costly.

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

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.

Some of our operating sites have a history of industrial use. Soil and groundwater contamination have occurred at some of our facilities. 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.

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

USE OF PROCEEDS

Our estimated net proceeds from this offering will be $488.7 million after deducting the underwriters' commissions and estimated offering expenses.

We intend to use the net proceeds to repurchase LYONs, in the open market, upon the exercise of holders' rights to require us to repurchase LYONs on August 2, 2005 or otherwise, and for general corporate purposes, including future acquisitions. The repurchase price for the LYONs on August 2, 2005 will be $572.82 per LYON. We may elect to settle our repurchase obligation in cash or subordinate voting shares, or any combination thereof. We have agreed to repurchase, concurrently with this offering, LYONs with an aggregate principal amount at maturity of approximately $84 million, for approximately $46 million in cash.

Pending these uses, we will invest the net proceeds in short-term, interest bearing, investment-grade securities. We regularly review acquisition opportunities. We have no contract or arrangement with respect to any material acquisition.

CAPITALIZATION

The following table sets forth our actual capitalization and our capitalization as adjusted to give effect to this offering as at March 31, 2004. This table should be read in conjunction with "Selected Financial Data" elsewhere in this prospectus supplement. This table was prepared with Canadian GAAP information.

	As at March 31, 2004	
	Actual	**As adjusted**
	(in millions)	
Cash and short-term investments	$ 831.0	$ 1,319.7
Long-term debt[1]		
Revolving credit facility due 2004	$	$
Revolving credit facility due 2005		
New senior credit facility[2]		
Senior subordinated notes offered hereby		500.0
Capital lease obligations	6.3	6.3
Other long-term debt		
Total long-term debt	$ 6.3	$ 506.3
Shareholders' equity[3]		
LYONs[4][5]	$ 609.0	$ 609.0
Subordinate voting shares[6][7][8]	3,402.6	3,402.6
(outstanding: 184.4 million shares)		
Subordinate voting shares to be issued	5.9	5.9
(0.5 million shares)		
Multiple voting shares	138.8	138.8
(outstanding: 39.1 million shares)		
Warrants[7]	8.9	8.9
Contributed surplus[8]	133.2	133.2
Deficit	(593.1)	(593.1)
Foreign currency translation adjustment	30.9	30.9
Total shareholders' equity	$ 3,736.2	$ 3,736.2
Total capitalization	$ 3,742.5	$ 4,242.5

(1) Includes current portion of long-term debt.

(2) As at March 31, 2004, after giving pro forma effect to the offering of the notes, we would have had approximately $160 million of additional borrowings available to us under our new senior credit facility, subject to compliance with our financial and other covenants under the terms of the agreement governing our new senior credit facility.

(3)
Our 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.

(4)
The LYONs are recorded as equity pursuant to Canadian GAAP. Under U.S. GAAP, the LYONs would be classified as long-term debt and, accordingly, the accrued yield on the LYONs during any period would be classified as interest expense for that period.

(5)
As adjusted amount does not reflect repurchase of LYONs for approximately $46 million in cash.

(6)
Does not include approximately (a) 26.4 million subordinate voting shares issuable upon exercise of outstanding options granted under our employee share purchase and option plans, (b) up to 0.5 million subordinate voting shares that may be issued as compensation to our directors or (c) 6.6 million subordinate voting shares reserved for issuance upon conversion of the LYONs.

(7)
We have reserved approximately 1.1 million subordinate voting shares issuable upon exercise of outstanding warrants granted by MSL which we assumed on March 12, 2004.

(8)
We have reserved approximately 2.1 million subordinate voting shares issuable upon exercise of outstanding options granted under certain stock option plans of MSL which we assumed on March 12, 2004.

RATIO OF EARNINGS TO FIXED CHARGES

The ratio of earnings to fixed charges for each of the periods indicated is as follows:

	Year ended December 31					Three months ended March 31	
	1999	2000	2001	2002	2003	2003	2004
				(unaudited)			
Ratio of earnings to fixed charges	5.1x	9.3x	(0.5x)	(18.0x)	(13.2x)	2.0x	(1.7x)
Deficiency of earnings available to cover fixed charges ($ millions)			$ 42.4	$ 537.1	$ 233.6		$ 10.1

For the purposes of computing the ratio of earnings to fixed charges and the deficiency of earnings available to cover fixed charges, earnings consist of income (loss) before income taxes plus fixed charges. Fixed charges consist of interest expense and discount or premium related to indebtedness, whether expensed or capitalized, and that portion of rental expense we believe to be representative of interest.

For purposes of computing the ratio of earnings to fixed charges and the deficiency of earnings available to cover fixed charges, we record our LYONs as equity in accordance with Canadian GAAP and we have recorded the related accretion costs through retained earnings. If the LYONs were recorded as debt, the related accretion costs would be added to our fixed charges. The deficiency of earnings available to cover fixed charges, treating the LYONs as debt, would be as follows: $263.3 million for 2003; $578.8 million for 2002; $69.6 million for 2001; $16.2 million for the three months ended March 31, 2004; and $4.0 million for the three months ended March 31, 2003. For the year ended December 31, 2003 and for the three months ended March 31, 2004, assuming completion of the offering and related interest rate swap arrangements, the deficiency of earnings available to cover fixed charges would have been $256.0 million and $15.7 million, respectively.

SELECTED FINANCIAL DATA

The following tables set forth certain consolidated financial data derived from our consolidated financial statements. The financial data as at December 31, 2002 and 2003 and for each of the years ended December 31, 2001, 2002 and 2003, has been derived from our audited consolidated financial statements for the years ended December 31, 2001, 2002 and 2003 and the unaudited financial data as at March 31, 2004 and for the three months ended March 31, 2003 and 2004, has been derived from our unaudited interim financial statements for the three months ended March 31, 2003 and 2004 that are included in this prospectus supplement. The financial data as at and for the years ended December 31, 1999 and 2000 has been derived from our audited consolidated financial statements not included in this prospectus supplement.

In the opinion of management, our unaudited interim consolidated financial statements for the three months ended March 31, 2003 and 2004 contain all adjustments (consisting solely of normal recurring adjustments) necessary for a fair presentation of the results for such periods. Interim results are not necessarily indicative of the results that may be achieved for the entire fiscal year. You should read the following selected financial data together with "Management's Discussion and Analysis of Financial Condition and Results of Operations," our 2003 consolidated financial statements (including the notes thereto), the other information included in this prospectus supplement and the information we incorporate by reference.

Our consolidated financial statements have been prepared in accordance with Canadian GAAP. These principles conform in all material respects with U.S. GAAP except as described in note 20 to our 2003 consolidated financial statements. For all the periods presented, the selected financial data is prepared in accordance with Canadian GAAP unless otherwise indicated.

	Year ended December 31					Three months ended March 31	
	1999(1)	**2000(1)**	**2001(1)**	**2002(1)**	**2003(1)**	**2003(1)**	**2004(1)**
						(unaudited)	
	(in millions, except per share amounts)						
Consolidated Statements of Earnings (Loss) Data (Canadian GAAP):							
Revenue	$ 5,297.2	$ 9,752.1	$ 10,004.4	$ 8,271.6	$ 6,735.3	$ 1,587.4	$ 2,016.9
Cost of sales	4,914.7	9,064.2	9,292.4	7,716.5	6,475.2	1,511.9	1,929.0
Gross profit	382.5	687.9	712.0	555.1	260.1	75.5	87.9
Selling, general and administrative expenses(2)	202.2	326.1	341.4	298.5	273.8	64.2	78.9
Amortization of goodwill and intangible assets(3)	55.6	88.9	125.0	95.9	48.5	12.4	7.2
Integration costs related to acquisitions(4)	9.6	16.1	22.8	21.1			
Other charges(5)			273.1	677.8	175.4	(1.6)	10.9
Operating income (loss)	115.1	256.8	(50.3)	(538.2)	(237.6)	0.5	(9.1)
Interest expense (income), net(6)	10.7	(19.0)	(7.9)	(1.1)	(4.0)	(3.4)	1.0
Earnings (loss) before income taxes	104.4	275.8	(42.4)	(537.1)	(233.6)	3.9	(10.1)
Income tax expense (recovery)	36.0	69.2	(2.1)	(91.2)	33.1	0.7	(1.7)
Net earnings (loss)	$ 68.4	$ 206.6	$ (40.3)	$ (445.9)	$ (266.7)	$ 3.2	$ (8.4)
Basic earnings (loss) per share	$ 0.41	$ 1.01	$ (0.26)	$ (1.98)	$ (1.23)	$ 0.02	$ (0.06)
Diluted earnings (loss) per share(7)	$ 0.40	$ 0.98	$ (0.26)	$ (1.98)	$ (1.23)	$ 0.02	$ (0.06)

	Year ended December 31					Three months ended March 31	
Other Financial Data:							
Depreciation expense	$ 69.5	$ 121.9	$ 193.1	$ 212.8	$ 172.0	$ 43.4	$ 41.3
Capital expenditures	211.8	282.8	199.3	151.4	175.9	18.1	56.4

	Year ended December 31				
	1999[1]	2000[1]	2001[1]	2002[1]	2003[1]
	(in millions)				
Consolidated Statements of Earnings (Loss) Data (U.S. GAAP)[8]:					
Operating income (loss)	$ 113.2	$ 254.4	$ (40.0)	$ (569.8)	$ (210.5)
Net earnings (loss)	66.5	197.4	(51.3)	(494.9)	(258.9)

	As at December 31					As at March 31
	1999[1]	2000[1]	2001[1]	2002[1]	2003[1]	2004[1]
						(unaudited)
	(in millions)					
Consolidated Balance Sheet Data (Canadian GAAP):						
Cash and short-term investments	$ 371.5	$ 883.8	$ 1,342.8	$ 1,851.0	$ 1,028.8	$ 831.0
Working capital[9]	1,000.2	2,262.6	2,339.8	2,093.2	1,513.6	1,506.7
Capital assets	365.4	634.0	917.1	730.2	681.4	732.2
Total assets	2,655.6	5,938.6	6,634.9	5,809.2	5,136.5	5,684.6
Total long-term debt, including current portion[10]	134.2	132.0	147.4	6.9	3.4	6.3
Shareholders' equity	1,658.1	3,469.2	4,745.0	4,202.3	3,466.1	3,736.2
Consolidated Balance Sheet Data (U.S. GAAP)[8]:						
Total assets	$ 2,653.6	$ 5,936.0	$ 6,640.3	$ 5,805.4	$ 5,181.3	
Total long-term debt, including current portion	134.2	1,005.1	1,046.8	831.7	626.4	
Shareholders' equity	1,656.2	2,605.4	3,841.1	3,344.4	2,854.7	

(1) Effective January 1, 2004, we retroactively adopted the new Canadian Institute of Chartered Accountants (CICA) Handbook Section 3110, which requires the recognition of liabilities for asset retirement obligations and the associated retirement costs, and have retroactively restated our results of operations for all prior periods. The impact to our cost of sales and net earnings (loss) for Canadian GAAP for the year ended December 31, 2003 was $0.9 million (2002 $0.7 million; 2001 $0.5 million; 2000 $0.1 million) and $0.2 million for the three months ended March 31, 2003. The impact on 1999 was immaterial. See note 23 to the 2003 consolidated financial statements.

The consolidated statements of earnings (loss) data for:

1999, 2000, 2001, 2002, 2003 and the three months ended March 31, 2003 and 2004 include the results of operations of International Manufacturing Services, Inc. (IMS) acquired in December 1998, Signar SRO acquired in April 1999, greenfield operations established in Brazil and Malaysia in June 1999, VXI Electronics, Inc. acquired in September 1999, the assets acquired from Hewlett-Packard's Healthcare Group in October 1999, EPS Wireless, Inc. acquired in December 1999, and certain assets acquired from Fujitsu-ICL Systems Inc. in December 1999;

2000, 2001, 2002, 2003 and the three months ended March 31, 2003 and 2004 include the results of operations of the assets of the Enterprise System Group and the Microelectronics Division of IBM in Minnesota and in Italy acquired in February and May 2000, respectively, NDB Industrial Ltda. acquired in June 2000, Bull Electronics Inc. acquired in August 2000, and NEC Technologies (UK) Ltd. acquired in November 2000;

2001, 2002, 2003 and the three months ended March 31, 2003 and 2004 include 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;

2002, 2003 and the three months ended March 31, 2003 and 2004 include the results of operations of certain assets of NEC Corporation in Miyagi and Yamanashi, Japan acquired in March 2002, and certain assets of Corvis Corporation in the United States acquired in August 2002; and

the three months ended March 31, 2004 include the results of operations of MSL acquired in March 2004.

(2)

Selling, general and administrative expenses include research and development costs. During 2003, we adopted the revised CICA Handbook Section 3870, "Stock Based Compensation," which requires that a fair value method of accounting be applied to all stock-based compensation payments to both employees and non-employees. In accordance with the transitional provisions of Section 3870, we have prospectively applied the fair value method of accounting for stock option awards granted after January 1, 2003 and, accordingly, have recorded compensation expense of $0.3 million in 2003 and $1.6 million for the three months ended March 31, 2004. Prior to January 1, 2003, we accounted for our stock options using the settlement method and no compensation expense was recognized.

(3)

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

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

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

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

	Year ended December 31	
	2001	**2002**
	(in millions, except per share amounts)	
Net loss as reported	$ (40.3)	$ (445.9)
Add back: goodwill amortization	39.2	
Net loss before goodwill amortization	$ (1.1)	$ (445.9)
Basic loss per share:		
As reported	$ (0.26)	$ (1.98)
Before goodwill amortization	$ (0.08)	$ (1.98)
Diluted loss per share:		
As reported	$ (0.26)	$ (1.98)
Before goodwill amortization	$ (0.08)	$ (1.98)

(4)

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.

(5)

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

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

In 2003, other charges totaled $175.4 million comprised primarily of (a) a $94.9 million restructuring charge and (b) a non-cash write-down of $82.8 million relating to the annual impairment assessment of long-lived assets, primarily a write-down of intangible assets and capital assets.

Effective January 1, 2003, we adopted the new CICA Handbook Section 3063, "Impairment or Disposal of Long-Lived Assets" and the revised Section 3475, "Disposal of Long-Lived Assets and Discontinued Operations," which are consistent with U.S. GAAP. These sections establish standards for recognizing, measuring and disclosing impairment for long-lived assets held-for-use, and for measuring and separately classifying assets available-for-sale. Previously, long-lived assets were written down to net recoverable value if the undiscounted future cash flows were less than net book value. Under the new standards, assets must be classified as either held-for-use or available-for-sale. Impairment losses for assets held-for-use are measured based on fair value which is measured by discounted cash flows. Available-for-sale assets are measured based on expected proceeds less direct costs to sell.

Effective January 1, 2003, we adopted the new CICA Emerging Issues Committee Abstracts EIC-134, "Accounting for Severance and Termination Benefits," and EIC-135, "Accounting for Costs Associated with Exit and Disposal Activities," which establishes standards for recognizing, measuring and disclosing costs relating to an exit or disposal activity. These standards are similar to U.S. GAAP. We have applied the new standards to restructuring plans initiated after January 1, 2003. These EICs allow recognition of a liability for an exit or disposal activity only when the costs are incurred and can be measured at fair value. Previously, a commitment to an exit or disposal plan was sufficient to record the majority of costs.

(6)

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

(7)

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

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

	Year ended December 31					Three months ended March 31	
	1999	2000	2001	2002	2003	2003	2004
						(unaudited)	
	(in millions)						
Basic	167.2	199.8	213.9	229.8	216.5	227.0	213.2
Diluted	171.2	211.8	213.9	229.8	216.5	230.2	213.2

(8)

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

for 1999: non-cash charges for compensation expense;

for 2000: non-cash charges for compensation expense, interest on the convertible debt we issued in August 2000 and classification of the convertible debt as a long-term liability rather than as an equity instrument and retroactive recognition of asset retirement obligations for Canadian GAAP;

for 2001: non-cash charges for compensation expense, interest on convertible debt classified as a long-term liability rather than as an equity instrument, retroactive recognition of asset retirement obligations for Canadian GAAP, impairment charges to write-down certain assets and gain on a foreign exchange contract;

for 2002: non-cash charges for compensation expense, interest on convertible debt classified as a long-term liability rather than as an equity instrument, impairment charges to write-down certain assets, retroactive recognition of asset retirement obligations for Canadian GAAP and gain on repurchase of convertible debt; and

for 2003: interest on convertible debt classified as a long-term liability rather than as an equity instrument, impairment on certain long-lived assets, retroactive recognition of asset retirement obligations for Canadian GAAP, gain on repurchase of convertible debt and the adoption of fair value accounting for stock compensation expense for Canadian GAAP only.

For 2003, net loss in accordance with U.S. GAAP reflects the accumulated effect of the change in accounting policy for asset retirement obligations.

(9)

Calculated as current assets less current liabilities.

(10)
Long-term debt includes capital lease obligations.

EXCHANGE RATE INFORMATION

The following table sets forth the exchange rates for the conversion of US$1.00 into Canadian dollars for the following periods. The rates of exchange set forth herein are shown as, or are derived from, the reciprocals of the noon buying rates in New York City for cable transfers payable in Canadian dollars, as certified for customs purposes by the Federal Reserve Bank of New York. The source of this data is the Federal Reserve Statistical Releases.

	1999	2000	2001	2002	2003
Average[1]	1.4858	1.4855	1.5487	1.5704	1.3916

	December 2003	January 2004	February 2004	March 2004	April 2004	May 2004
High	1.3405	1.3265	1.3480	1.3480	1.3771	1.3970
Low	1.2973	1.2690	1.3108	1.3080	1.3095	1.3580

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

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

Overview

We are a world leader in providing EMS services to OEMs in the computing, communications and other industries. We provide a wide variety of products and services to our customers, including the high-volume manufacture of complex printed circuit board assemblies and the system assembly of final products. In addition, we are a leading-edge provider of engineering, design and after-market services, supply chain management and power products. We operate facilities in the Americas, Europe and Asia.

During the past three years, the EMS industry has experienced continued demand weakness, particularly in the computing and communications end markets, as spending on higher complexity and infrastructure products was reduced or cut. Our concentration of business with customers in these higher complexity products had an adverse effect on our revenue and margins for 2002 and 2003. The downturn also created excess capacity in the EMS industry, resulting in continued pricing pressures as EMS providers competed for a reduced amount of business. Declining end markets and volumes have led to lower utilization rates which continued to adversely impact margins. Our revenue for 2003 was $6.7 billion, down 19% from $8.3 billion in 2002 and down 33% from $10.0 billion in 2001.

During these difficult periods, we have responded by focusing on improving operating efficiency, rebalancing our global manufacturing network, reducing capacity by restructuring, diversifying into new markets and expanding our customer base.

In 2001, we announced our first restructuring plan in response to the weakened end markets. As the downturn continued, we announced further restructuring plans in 2002 and 2003. In April 2004, we announced an additional restructuring plan to be recorded over the next 12 months. The restructuring plans are focused on consolidating facilities and increasing capacity utilization in lower cost geographies. We expect to have an improved balance in our global manufacturing network when all of the planned restructuring actions are completed. As a result of our restructuring efforts, approximately 70% of our production facilities as of March 31, 2004 were in lower cost geographies, up from approximately 50% at the end of 2002.

We have also added more than 80 new customers since 2002, with approximately one-third outside the traditional communications and computing markets. For the first quarter of 2004, revenue from our non-top 10 customers approximately doubled from the first quarter of 2003, representing approximately 34% of revenue. The cost of expanding into new markets and services and adding new customers in 2003 has impacted margins in the near term. This, combined with depressed volumes, significant program transfers and ramping activities, reduced gross margins for 2003 to 3.9%, down from 6.7% in 2002. As these activities stabilize, and restructuring benefits materialize, profitability is expected to improve during 2004. Gross margins in the first quarter of 2004 were 4.4%.

In line with our strategy to diversify our revenue base, we recently completed the acquisition of MSL, a mid-tier EMS provider with a broad customer base in diversified markets. We will continue to evaluate acquisition opportunities to support our future growth strategies. See "   Acquisition History."

We maintained a strong balance sheet in 2003 and finished the year with over $1.0 billion in cash. During 2003, we continued to utilize our strong financial position to reduce debt by repurchasing convertible debt and expand our share repurchase program. Our stronger balance sheet provides us with greater flexibility to grow our business and to continue our debt and share repurchase activities.

By the end of 2003, we began to see improvements in the technology end markets. This was evident by the number of program wins with existing and new customers and increased volumes from existing customers. Throughout 2003, revenue continued to improve each quarter, growing 21% from the first quarter to the fourth quarter. Sequentially, revenue in the first quarter of 2004 grew 5% from the fourth quarter of 2003.

Critical Accounting Policies and Estimates

We prepare our financial statements in accordance with Canadian GAAP with a reconciliation to U.S. GAAP, as disclosed in note 20 to the 2003 consolidated financial statements.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant accounting policies and methods used in preparation of the financial statements are described in note 2 to the 2003 consolidated financial statements and updated in note 2 to the March 31, 2004 interim consolidated financial statements. We evaluate our estimates and assumptions on a regular basis, based on historical experience and other relevant factors. Actual results could differ materially from these estimates and assumptions. The following critical accounting policies are impacted by judgments, assumptions and estimates used in preparation of the 2003 and first quarter 2004 consolidated financial statements.

Revenue recognition

We derive most of our revenue from OEM customers. The contractual agreements with our key customers generally provide a framework for our overall relationship with the customers. We recognize product manufacturing revenue upon shipment as title has passed, persuasive evidence of an arrangement exists, performance has occurred, customer specified test criteria have been met, and the earnings process is complete. We have contractual arrangements with the majority of our customers that require the customer to purchase unused inventory that we have purchased to fulfill that customer's forecasted manufacturing demand. We account for raw material returns as reductions in inventory and do not record revenue on these transactions.

Allowance for doubtful accounts

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

Inventory valuation

We value our 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. We regularly adjust our inventory valuation based on shrinkage and management's estimates of net realizable value, taking into consideration factors such as inventory aging, future demand for the inventory, and the nature of the contractual agreements with customers and suppliers, including the ability to return inventory to them. A change to these assumptions could impact the valuation of inventory and have a resulting impact on margins.

Income tax valuation allowance

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

Goodwill

We perform our annual goodwill impairment test in the fourth quarter of each year (to correspond with our planning cycle), and more frequently if events or changes in circumstances indicate that an impairment loss may have been incurred. Impairment is tested at the reporting unit level by comparing the reporting unit's carrying amount to its fair value. The fair values of the reporting units are estimated using a combination of a market approach and discounted cash flows. The process of determining fair values is subjective and requires management to exercise judgment in making assumptions about future results, including revenue and cash flow projections at the reporting unit level, and discount rates. We recorded an impairment loss in 2002. There was no impairment identified in 2003. Future goodwill impairment tests may result in further impairment charges.

Long-lived assets

We perform our annual impairment tests on long-lived assets in the fourth quarter of each year (to correspond with our planning cycle), and more frequently if events or changes in circumstances indicate that an impairment loss may have been incurred. We estimate the useful lives of capital and intangible assets based on the nature of the asset, historical experience and the terms of any related supply contracts. The valuation of long-lived assets is based on the amount of future net cash flows these assets are estimated to generate. Revenue and expense projections are based on management's estimates, including estimates of current and future industry conditions. A significant change to these assumptions could impact the estimated useful lives or valuation of long-lived assets resulting in a change to depreciation or amortization expense and impairment charges. We recorded long-lived impairment losses in 2002 and 2003. Future impairment tests may result in further impairment charges.

Restructuring charges

We have recorded restructuring charges relating to facility consolidations and workforce reductions. The restructuring charges include employee severance and benefit costs, costs related to leased facilities that have been abandoned or subleased, owned facilities which are no longer used and are available-for-sale, the cost of leased equipment that has been abandoned, impairment of owned equipment available-for-sale, and impairment of related intangible assets, primarily intellectual property. The recognition of these charges requires management to make certain judgments and estimates regarding the nature, timing and amount associated with these plans. For owned facilities and equipment, the impairment loss recognized was based on the fair value less costs to sell, with fair value estimated based on existing market prices for similar assets. For leased facilities that will be abandoned or subleased, the estimated lease cost represents future lease payments subsequent to abandonment less estimated sublease income. To estimate future sublease income, we worked with independent brokers to determine the estimated tenant rents that we could realize. The estimated amount of future liability may change, requiring additional restructuring charges or a reduction of the liabilities already recorded. At the end of each reporting period, we evaluate the appropriateness of the remaining accrued balances.

Costs associated with restructuring activities initiated on or after January 1, 2003 are recorded in accordance with CICA Emerging Issues Committee Abstracts EIC-134, "Accounting for Severance and Termination Benefits," and EIC-135, "Accounting for Costs Associated with Exit and Disposal Activities."

Pension and non-pension post-employment benefits

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

Acquisition History

A significant portion of our growth in prior years was generated by strengthening customer relationships, building a global manufacturing network, and increasing the breadth of our service offerings through asset and business acquisitions. We focused on investing strategically in acquisitions that better positioned us for future outsourcing opportunities. Our most active year for acquisitions was 2001. With a global manufacturing network established, the historical pace of our acquisitions did not continue in 2002 or in 2003, and may not continue in the future.

As a result of the downturn in technology manufacturing, some of the sites acquired in prior years have been closed or have experienced headcount reductions. Supply agreements entered into in connection with certain acquisitions were also affected by order cancellations and reschedulings, as base business volumes decreased. See discussion below in "Operating Results."

In March 2002, we acquired certain assets located in Miyagi and Yamanashi, Japan from NEC Corporation and signed a five-year supply agreement. In August 2002, we acquired certain assets from Corvis Corporation in the United States and signed a multi-year supply agreement. The aggregate purchase price for these acquisitions in 2002 of $111.0 million was financed with cash and allocated to the net assets acquired, based on their relative fair values at the date of acquisition.

On March 12, 2004, we acquired all the shares of MSL, a full-service global electronics manufacturing and supply chain services company, headquartered in Concord, Massachusetts. This acquisition provided us with an expanded customer base and service offering. This acquisition also supports our strategy of diversifying our markets. MSL's customers come from diverse industries including industrial, commercial avionics, automotive, retail systems, communications and network storage, and peripherals. The purchase price for MSL of $321.2 million was financed with the issuance of 14.1 million subordinate voting shares, the issuance of options to purchase 2.1 million subordinate voting shares, the issuance of warrants to purchase 1.1 million subordinate voting shares, and $51.6 million in cash. MSL contributed approximately $59 million in revenue and $0.01 earnings per share for the first quarter of 2004.

In April 2004, we paid approximately $11 million in cash to acquire certain assets located in the Philippines from NEC Corporation.

We 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 company acquisitions. We identify possible acquisitions that would enhance our global manufacturing network, increase our 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. We expect to actively pursue and consider other acquisition opportunities.

Operating Results

Our annual and quarterly operating results vary from period to period as a result of the level and timing of customer orders, fluctuations in materials and other costs, and the relative mix of value-add products and services. The level and timing of customers' orders will vary due to customers' attempts to balance their inventory, changes in their manufacturing strategies, variation in demand for their products and general economic conditions. Our annual and quarterly operating results are also affected by capacity utilization, geographic manufacturing mix and other factors, including price competition, manufacturing effectiveness and efficiency, the degree of automation used in the assembly process, the ability to manage labor, inventory and capital assets effectively, the timing of expenditures in anticipation of forecasted sales levels, the timing of acquisitions and related integration costs, customer product delivery requirements, shortages of components or labour, the costs of transferring and ramping up programs, and other factors. Weak end-market conditions began to emerge in early to mid-2001 and have continued through 2003 for most of our communications and computing industries customers. This has resulted in customers rescheduling or canceling orders which have negatively impacted our results of operations.

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

	Year ended December 31			Three months ended March 31	
	2001	2002	2003	2003	2004
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	92.9	93.3	96.1	95.2	95.6
Gross profit	7.1	6.7	3.9	4.8	4.4
Selling, general and administrative expenses	3.2	3.4	3.7	3.8	3.7
Research and development costs	0.2	0.2	0.4	0.3	0.2
Amortization of goodwill and intangible assets	1.3	1.2	0.7	0.8	0.4
Integration costs related to acquisitions	0.2	0.2			
Other charges	2.7	8.2	2.6	(0.1)	0.5
Operating loss	(0.5)	(6.5)	(3.5)		(0.4)
Interest expense (income), net	(0.1)		(0.1)	(0.2)	0.1
Earnings (loss) before income taxes	(0.4)	(6.5)	(3.4)	0.2	(0.5)
Income taxes (recovery)		(1.1)	0.5		(0.1)
Net earnings (loss)	(0.4)%	(5.4)%	(3.9)%	0.2%	(0.4)%

Effective January 1, 2004, we retroactively adopted the new CICA Handbook Section 3110, which requires the recognition of liabilities for asset retirement obligations and the associated retirement costs, and have retroactively restated our results of operations for all periods in 2003, 2002 and 2001. The impact to cost of sales and net earnings (loss) for the year ended December 31, 2003 is $0.9 million ($0.2 million for the three months ended March 31, 2003; $0.7 million December 31, 2002; $0.5 million December 31, 2001). See note 2(ii) to the March 31, 2004 interim consolidated financial statements and note 23 to the 2003 consolidated financial statements.

Results of Operations Three months ended March 31, 2003 and 2004

Revenue

Revenue increased 27%, to $2,016.9 million for the three months ended March 31, 2004 from $1,587.4 million for the same period in 2003. The most significant factors contributing to the increase were the increase in business volumes from some of our top customers, new business wins and acquisition revenue, offset, in part, by a change in product mix and by continued reductions to prices of components and services. The increase in base business volumes drove an increase in revenue of approximately 40%, while pricing reductions and changes in product mix reduced revenue by approximately 17%. The MSL acquisition accounted for an increase of approximately 4% in revenue for the quarter.

We manage our operations on a geographic basis. The three reporting segments are the Americas, Europe and Asia. The following table is a breakdown of revenue by reporting segment:

	Three months ended March 31		
	2003	2004	% Increase
	(in millions)		
Americas	$ 769.3	$ 861.5	12%
Europe	336.4	429.4	28
Asia	525.6	802.2	53
Inter-segment	(43.9)	(76.2)	

	Three months ended March 31		
Total	$ 1,587.4	$ 2,016.9	27%

Revenue increased for all regions for the three months ended March 31, 2004 compared to the same period in 2003. All regions have benefited from new business wins from existing and new customers and, to a lesser extent, acquisition revenue. Asia continues to benefit from the transfer of programs from other regions and its increased manufacturing capabilities. Program transfers account for approximately 10% of the revenue increase in Asia.

The following table shows industry market segmentation as a percentage of revenue for the indicated periods:

	Three months ended March 31		Three months ended December 31
	2003	2004	2003
Enterprise communications	24%	27%	26%
Telecommunications	23	24	23
Servers	22	19	22
Storage	14	12	14
Other	9	13	9
Workstations and PCs	8	5	6

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

	Three months ended March 31	
	2003	2004
Sun Microsystems	X	
IBM	X	X
Lucent Technologies	X	X
Cisco Systems		X

Our top 10 customers in aggregate represented 66% of total revenue for the three months ended March 31, 2004, compared to 78% for the same period in 2003. We have been focusing on diversifying our customer base by adding new customers in areas outside of our major position in communications and computing markets, such as aerospace and defense, automotive, industrial and consumer. Revenue from our non-top 10 customers represented in the aggregate 34% of total revenue for the three months ended March 31, 2004, up from 22% for the same period a year ago.

We are dependent upon continued revenue from our top customers. There can be no assurance that revenue from these or any other customers will not decrease in absolute terms or as a percentage of total revenue either individually or as a group. Any material decrease in revenue from these or other customers could have a material adverse effect on our results of operations. See notes 15 (concentration of risk) and 17 to the 2003 consolidated financial statements.

We believe our growth depends on increasing sales to existing customers for their current and future product generations, and on successfully attracting new customers. Customer contracts can be cancelled and volume levels can be changed or delayed. The timely replacement of delayed, cancelled or reduced orders with new business cannot be assured. In addition, we have no assurance that any of our current customers will continue to utilize our services, which could have a material adverse effect on our results of operations.

We have also focused on expanding our product and service offerings by investing in reference design activities for next generation servers, workstations and other products. We have incurred start-up costs for this business which have negatively impacted the quarter's results. The cost of this investment, included in cost of sales, selling, general and administrative expenses, and research and development expenses, totaled approximately 0.5% of total revenue for the quarter. Revenue and profitability are expected to improve over the coming years, as we expand this new business and as the adoption of 64-bit computing gains broader deployment.

Gross profit

Gross profit increased 16%, to $87.9 million for the three months ended March 31, 2004 from $75.5 million for the same period in 2003. Gross margin decreased to 4.4% for the three months ended March 31, 2004 from 4.8% for the same period in 2003. The gross margin decrease was due principally to industry pricing pressures, a change in the mix of products manufactured (from higher complexity, higher value-add products to lower complexity, lower value-add products), costs of ramping new customer programs, costs to support the new reference design activities, higher costs to support current volumes, and higher costs in certain geographies due to the weakened U.S. dollar, which more than offset the improvements due to higher volumes, the addition of MSL, and the savings from restructuring.

As of March 31, 2004, we have transitioned most of our high volume products to low cost geographies, with approximately 70% of our production facilities in lower cost geographies, up from 50% at the end of 2002. Although asset utilization rates have improved, due to higher volumes and reduction of capacity, certain operations continued to be affected by lower utilization levels and higher fixed costs. Additional restructuring actions were announced in the Americas in the first quarter of 2004 to address these conditions. The Americas operations were also affected by the investment in new product and service offerings, specifically the reference design activities. The European operations have benefited from improved utilization and cost reductions. The Asian operations have benefited from higher production volumes offset, in part, by program ramping costs and overall pricing pressures.

The nature of our business is that gross margin levels fluctuate based on product volume and mix, production efficiencies, utilization of manufacturing capacity, geographic manufacturing mix, start-up and ramp-up activities, new product introductions, pricing within the electronics industry, cost structures at individual sites, and other factors, including the overall highly competitive nature of the EMS industry. Also, the availability of raw materials, which is subject to lead time and other constraints, could possibly affect our gross profit from quarter to quarter.

Selling, general and administrative expenses (SG&A)

SG&A expenses increased 25%, to $74.5 million (3.7% of revenue) for the three months ended March 31, 2004 from $59.7 million (3.8% of revenue) for the same period in 2003. The increase in SG&A, on an absolute basis, reflects the costs to support higher volumes and the new products and new markets, higher costs in certain geographies due to the weakened U.S. dollar, and the inclusion of MSL's SG&A expenses offset, in part, by the benefits from our restructuring programs.

SG&A was $69.6 million for the three months ended December 31, 2003. The sequential increase was primarily due to increased costs due to the weakened U.S. dollar and the inclusion of SG&A expenses from MSL.

Research and development costs (R&D)

R&D was $4.4 million (0.2% of revenue) for the three months ended March 31, 2004, compared to $4.5 million (0.3% of revenue) for the same period in 2003. R&D was $6.7 million for the three months ended December 31, 2003. The sequential decrease was due to spending cuts and timing of program development activities.

Amortization of intangible assets

Amortization of intangible assets decreased 42%, to $7.2 million for the three months ended March 31, 2004 from $12.4 million for the same period in 2003. In the fourth quarter of 2003, we recorded an impairment charge to write down our intangible assets. As a result of the write down in 2003, the amortization expense for the first quarter of 2004 decreased. Amortization expense is expected to increase in future periods as a result of the amortization of the intangible assets acquired in the MSL acquisition.

Other charges

	Year ended December 31			Three months ended March 31	
	2001	2002	2003	2004	Total
	(in millions)				
2001 restructuring	$ 237.0	$ 1.9	$ 7.9	$ 0.4	$ 247.2
2002 restructuring		383.5	15.7	2.6	401.8
2003 restructuring			71.3	1.0	72.3
2004 restructuring				9.5	9.5
Total restructuring	237.0	385.4	94.9	13.5	730.8
2002 goodwill impairment		203.7			203.7
Other impairment	36.1	81.7	82.8		200.6
Deferred financing costs and debt redemption fees		9.6	1.3		10.9
Gain on sale of surplus land		(2.6)	(3.6)	(2.6)	(8.8)
	$ 273.1	$ 677.8	$ 175.4	$ 10.9	$ 1,137.2

Further details of the other charges are included in note 11 to the 2003 consolidated financial statements and note 6 to the March 31, 2004 interim consolidated financial statements.

As of March 31, 2004, we have recorded charges in connection with four separate restructuring plans in response to the challenging economic climate. These actions, which included reducing workforce, consolidating facilities and re-positioning the number and location of production facilities, were largely intended to align our capacity and infrastructure to anticipated customer requirements for more capacity in lower cost regions, as well as to rationalize our manufacturing network to the lower demand levels. We have recorded charges totaling $247.2 million for our 2001 restructuring plan, $401.8 million for our 2002 restructuring plan, $72.3 million relating to our 2003 restructuring plan, and $9.5 million in the first quarter of 2004 as part of our 2004 restructuring plan. A total restructuring charge of $13.5 million was recorded in the first quarter of 2004, consistent with the $10.0 to $15.0 million pre-tax charge announced in January 2004.

We recorded a combined total of $730.8 million for our four restructuring plans. The focus of these restructuring plans was in the Americas and Europe, as they were hit the hardest by the downturn. As of March 31, 2004, a total of 18,717 employees have been released from the business in connection with these restructurings. Approximately 1,000 employee positions remain to be eliminated by the end of 2004 relating to the restructurings previously announced. Approximately 70% of the employee terminations were in the Americas and 30% in Europe. A total of 31 facilities were closed or downsized in the Americas and Europe, and included the transfer of programs from these higher cost geographies to lower cost geographies. The remaining lease facilities costs are estimated to be paid out through 2015. All cash outlays are expected to be funded from cash on hand.

We have benefited and expect to continue to benefit from the restructuring measures taken in prior years through reduced depreciation, lease and labour costs in cost of sales and SG&A expenses. These year-over-year incremental benefits amounted to approximately $40 million in the first quarter of 2004 of which approximately 75% was realized in lower cost of sales and the balance in lower SG&A. We have completed the major components of the 2001 and 2002 restructuring plans, except for certain employee termination costs in the Americas and certain long-term lease and other contractual obligations. We expect to complete the 2003 restructuring actions in Europe by mid-2004, and our first quarter 2004 restructuring actions in the Americas by the end of 2004 or early 2005.

We will continue to evaluate our operations and could propose future restructuring actions as a result of changes in the marketplace, including the possibility of exiting service offerings no longer sought by our customers. In April 2004, we announced that we will incur further restructuring charges to better align our capacity with customer requirements and accelerate our margin expansion plans. We expect to record total pre-tax restructuring charges over the next 12 months of between $175.0 million and $200.0 million. As part of this charge, $13.5 million has been recorded in the first quarter of 2004. We expect to reduce our manufacturing footprint and reduce our global workforce by approximately 10% to 15% over the next 12 months. We estimate that approximately 75% of the charges will be cash costs.

We have decided to consolidate some of the acquired MSL facilities, resulting in a workforce reduction. The cost of this restructuring totals $35.4 million and was recorded as part of the purchase price. See note 3(ii) to the March 31, 2004 interim consolidated financial statements.

We conduct an annual review of goodwill and long-lived assets in the fourth quarter of each year to correspond with our planning cycle, absent any triggering factors which have necessitated a review earlier in the year. In the course of finalizing our annual plans, we made certain decisions regarding our restructuring plans and the transfer of customer programs from higher cost to lower cost geographies. These actions, coupled with weakened end markets, significantly impacted forecasted revenue and reduced the net cash flows for certain sites, resulting in impairment when compared to the carrying value of long-lived assets. In the fourth quarters of 2003, 2002 and 2001, we recorded non-cash charges against goodwill, intangible assets and capital assets. There was no impairment for the first quarter of 2004.

We may continue to experience goodwill and long-lived asset impairment charges in the future as a result of changes in the electronics industry, customer demand and other market conditions, which may have a material adverse effect on our financial condition.

Interest income, net

There was no net interest income for the three months ended March 31, 2004, compared to $4.6 million for the same period in 2003. The reduction in interest income is due to lower cash balances being invested at lower interest rates compared to the prior period. Interest income was offset by interest expense of $1.0 million for the three months ended March 31, 2004, compared to $1.2 million for the same period in 2003.

Income taxes

Income tax recovery for the three months ended March 31, 2004 was $1.7 million, compared to a tax expense of $0.7 million for the same period in 2003, both periods reflecting an effective tax rate of 17%.

Our effective tax rate is impacted by the mix and volume of business in lower tax jurisdictions within Europe and Asia, tax holidays and tax incentives that have been negotiated with the respective tax authorities (which expire between 2004 and 2012), restructuring charges, operating losses, the time period in which losses may be used under tax laws, and the impairment of deferred income tax assets. The tax holidays are subject to conditions with which we expect to continue to comply.

The net deferred income tax assets as at March 31, 2004 of $219.8 million ($225.0 million as at December 31, 2003), arises from available income tax losses and future income tax deductions. Our ability to use these income tax losses and future income tax deductions is dependent upon our operations in the tax jurisdictions in which such losses or deductions arose. Management records a valuation allowance against deferred income tax assets when management believes it is more likely than not that some portion or all of the deferred income tax assets will not be realized. Based on the reversal of deferred income tax liabilities, projected future taxable income, and the character of the income tax assets and tax planning strategies, management has determined that a valuation allowance of $245.5 million, is required in respect of our deferred income tax assets as at March 31, 2004 ($185.3 million as at December 31, 2003). Included in the valuation allowance is $58.1 million attributable to the acquisition of MSL, which may be subject to refinement upon finalization of the purchase price allocation. In order to fully utilize the net deferred income tax assets of $219.8 million, we will need to generate future taxable income of approximately $628.0 million. Based on our current projection of taxable income for the periods in which the deferred income tax assets are deductible, it is more likely than not that we will realize the benefit of the net deferred income tax assets as at March 31, 2004.

Results of Operations Years ended December 31, 2003, 2002 and 2001

The higher cost manufacturing geographies in Europe and North America experienced the greatest declines in revenue and operating profits due to declining volumes, significant pricing pressures and inefficiencies associated with our product transfer activities to lower cost manufacturing sites. Our Asian operations had production levels that enabled the region to maintain profitability throughout 2003. Asia benefited from higher demand and from product transfers from Europe and North America, as customers wanted the benefits of that region's lower cost structure.

Revenue

Revenue decreased 19%, to $6.7 billion in 2003 from $8.3 billion in 2002. The most significant factors causing the decline were the reductions in volume as a result of the prolonged weakened end-market conditions and reduced prices on components and services caused by continued excess capacity in the EMS industry. The reductions in volume accounted for approximately 75% of the revenue decrease and the rest was reduced pricing driven primarily by lower component costs.

We manage our operations on a geographic basis. The three reporting segments are the Americas, Europe and Asia. The following table is a breakdown of revenue by reporting segment:

	Year ended December 31		
	2001	**2002**	**2003**
		(in billions)	
Americas	$ 6.3	$ 4.6	$ 3.1
Europe	3.0	1.8	1.4
Asia	1.0	2.1	2.5
Inter-segment	(0.3)	(0.2)	(0.3)
Total	$ 10.0	$ 8.3	$ 6.7

Revenue from the Americas operations decreased 33% from 2002. Revenue from European operations decreased 22% from 2002. Operations in the Americas and Europe were significantly impacted by customer order reductions due to the downturn in end-market demand for their products as well as severe pricing pressures. We have completed the majority of our 2003 plans to reduce manufacturing capacity in these geographies by downsizing and/or closing facilities. In addition, the customers' continued demands for significantly lower product manufacturing costs has resulted in the transfer of programs from higher cost geographies to lower cost geographies, which further reduced the revenue in these higher cost geographies. Revenue from Asian operations increased 17% from 2002. Our Asian operations have benefited from new business wins, the transfer of production from other geographies and the flow-through of acquisitions. Offsetting this is the impact of continued softness in end markets and pricing pressures. Of the net increase in Asian revenue, approximately half resulted from the transfer of programs and from the flow-through of the acquisition in Japan which closed on March 31, 2002.

In 2002, revenue decreased 17% from 2001, primarily due to a reduction in base business volumes as a result of the prolonged weakened end-market conditions. Excess capacity in the EMS industry put pressure on pricing for components and services, also reducing revenue. Revenue from the Americas operations decreased 27% from 2001. Revenue from European operations decreased 40% from 2001. Americas and European operations were hardest hit by customer cancellations and delays of orders because of the downturn in end-market demand for their products, as well as the customers' demands for lower product manufacturing costs. We had initiated restructuring actions in 2002 to reduce the manufacturing capacity in these geographies, which included downsizing and closure of manufacturing facilities. The restructuring actions also included transferring programs from higher cost geographies to lower cost geographies. Revenue from Asian operations increased 113% from 2001, primarily due to acquisitions and an increase in base business volumes.

The industry market segmentation as a percentage of revenue for 2003 is: enterprise communications 25%, telecommunications 23%, servers 22%, storage 13%, other 10%, and workstations and PCs 7%. At the beginning of 2003, as we continued to diversify into new markets, we separated our communications market segment into enterprise and telecommunications and also separated storage from other. The prior year's comparatives have not been adjusted to reflect the new market segmentation. The industry market segmentation as a percentage of revenue for 2002 is: communications 45%, servers 26%, storage and other 22%, and workstations and PCs 7%. For 2001, the industry market segmentation as a percentage of revenue is: communications 36%, servers 31%, storage and other 18%, and workstations and PCs 15%. Historically, revenue is highest in the fourth quarter, with the exception of 2002, when we were hardest hit by the downturn. Throughout 2003, revenue continued to improve sequentially each quarter, with a 17% increase in the fourth quarter of 2003 over the third quarter.

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

	Year ended December 31		
	2001	**2002**	**2003**
Sun Microsystems	X	X	X
IBM	X	X	X
Lucent Technologies	X	X	X
Cisco Systems			X

Our top ten customers represented in the aggregate 73% of total revenue in 2003, compared to 85% in 2002 and 84% in 2001. There has been a steady decline in revenue from our top three customers over the past year, as their volumes were most negatively impacted by the broad-based reductions in corporate spending for computing and communications infrastructure products. At the same time, we have been focused on diversifying our customer base by adding new customers in areas outside of the traditional communications and computing markets, such as aerospace and defense, automotive, industrial and consumer. Revenue from our non-top ten customers represented in the aggregate 27% of total revenue in 2003, up from 15% a year ago.

We are dependent upon continued revenue from our top customers. There can be no assurance that revenue from these or any other customers will not decrease in absolute terms or as a percentage of total revenue either individually or as a group. Any material decrease in revenue from these or other customers could have a material adverse effect on our results of operations. See notes 15 (concentration of risk) and 17 to the 2003 consolidated financial statements.

We believe our growth depends on increasing sales to existing customers for their current and future product generations, and on successfully attracting new customers. Customer contracts can be cancelled and volume levels can be changed or delayed. The timely replacement of delayed, cancelled or reduced orders with new business cannot be assured. In addition, we have no assurance that any of our current customers will continue to utilize our services, which could have a material adverse effect on our results of operations.

We have also focused on expanding our product and service offerings. During the year, we announced that we would make investments to support our reference design activities for next generation servers, workstations and other products. Revenue earned during the year was minimal, however, management expects revenue to increase as we expand this new business. Our start-up costs for this business negatively impacted the year's results. The cost of the new investments included in cost of sales, selling, general and administrative expenses, and research and development expenses totaled approximately 1% of total revenue for 2003.

Gross profit

Gross profit decreased 53% to $260.1 million in 2003 from $555.1 million in 2002. Gross margin decreased to 3.9% in 2003 from 6.7% in 2002. Gross margin decreased disproportionately due to the significant reduction in business volumes and corresponding low asset utilization rates, industry pricing pressures, a change in the mix of products manufactured (from higher complexity, higher value-add products to lower complexity, lower value-add products), costs of ramping new customer programs, costs of transferring programs to other geographies and costs to support the new reference design activities. Lower volumes contributed to approximately a 65% decrease in gross profit from 2002, with the remainder, primarily pricing, mix and the cost of new investments, reducing gross profit by approximately a further 20%. This decrease was offset in part by the benefits from our restructuring programs and various other cost reduction initiatives. The benefits from restructuring amounted to approximately $250 million in 2003 of which approximately 75% was realized in lower cost of sales.

Our higher cost operations in the Americas and Europe were significantly impacted by reductions in higher complexity and higher value-add products due to the weak demand from our computing and telecommunications customers. As a result of these conditions, volumes declined and pricing pressure increased, driving the majority of the gross margin declines.

European operations continued to be the most adversely affected by lower utilization levels and higher fixed costs. Most of the planned restructuring actions for Europe were announced by year-end 2003. Although we realized some benefits of the restructuring during the latter part of the year, further savings are expected to be realized in 2004, as we complete our planned restructuring actions by mid-2004. Americas operations have also been affected by significant volume reductions, the cost of transferring programs and investments in new product and service offerings, specifically in reference design activities. Asian operations have been affected by program ramping costs and overall pricing pressures offset, in part, by higher production volumes.

Gross profit decreased 22%, to $555.1 million in 2002 from $712.0 million in 2001. Gross margin decreased to 6.7% in 2002 from 7.1% in 2001, primarily due to the significant reduction in business volumes and industry pricing pressures. European operations were most adversely affected as they were operating at lower levels of utilization and higher fixed costs for the year. The volume reductions tended to impact higher value-add products disproportionately, further adversely affecting the European margins. In addition, costs for our European operations were higher than expected due to delays in transferring programs, the slower pace of restructuring and some process scrap and related inventory issues, in the latter part of the year. The margin declines in our European operations were offset partially by improved margins in the Americas and Asian operations. The Americas improved its operating efficiencies, had higher value-add product mix and benefited from restructuring actions. Asian margins improved on higher volumes and utilization rates.

By the end of 2003, we had transitioned most of our high volume products to lower cost geographies, with approximately 70% of our production facilities in lower cost geographies, up from 50% a year ago. Capacity utilization has improved to between 55% to 60% at the end of 2003 from 45% to 50% at the end of 2002.

For the foreseeable future, our gross margin is expected to be impacted by product volume and mix, production efficiencies, utilization of manufacturing capacity, geographic manufacturing mix, start-up and ramp-up activities, new product introductions, pricing within the electronics industry, cost structures at individual sites, and other factors, including the overall highly competitive nature of the EMS industry. Over time, margins at individual sites and for us as a whole are expected to fluctuate. Also, the availability of raw materials, which are subject to lead time and other constraints, could possibly limit our revenue growth. Through the fourth quarter of 2003, increased volumes and improved capacity utilization have stabilized pricing on components and our services. This, together with the continued restructuring benefits, should add to our future profitability.

Selling, general and administrative expenses

SG&A expenses decreased 11%, to $249.8 million (3.7% of revenue) in 2003 from $280.3 million (3.4% of revenue) in 2002. SG&A as a percentage of revenue increased as a result of a significant reduction in revenue, higher spending in sales and marketing to support diversified markets, as well as the benefits from our restructuring activities lagging behind the revenue decline. The decrease in SG&A, on an absolute basis, reflects the benefits from our restructuring programs, offset by higher costs, largely to support new products and new markets.

SG&A expenses decreased 14%, to $280.3 million (3.4% of revenue) in 2002 from $324.3 million (3.2% of revenue) in 2001. SG&A as a percentage of revenue increased as a result of a significant reduction in revenue and the benefits from our restructuring activities lagging behind the revenue decline. The decrease in SG&A, on an absolute basis, reflects the benefits from our restructuring programs and a reduction in spending, which more than offset the increase in expenses due to operations acquired in the latter part of 2001 and in 2002.

Research and development costs

R&D increased 32%, to $24.0 million (0.4% of revenue) in 2003 from $18.2 million (0.2% of revenue) in 2002. The increased spending in R&D was principally to support our reference design activities for next generation servers, workstations and other products.

R&D costs increased slightly to $18.2 million (0.2% of revenue) in 2002, compared to $17.1 million (0.2% of revenue) in 2001.

Amortization of intangible assets

Amortization of intangible assets decreased 49%, to $48.5 million in 2003 from $95.9 million in 2002. In the fourth quarter of 2002, we recorded an impairment charge to write down our intangible assets. As a result of the write down in 2002, the amortization expense decreased in 2003. The decrease in expense is partially offset by amortization of intangible assets arising from the 2002 acquisitions.

Amortization of goodwill and intangible assets decreased 23%, to $95.9 million in 2002 from $125.0 million in 2001. The decrease in amortization is the result of a change in accounting for goodwill, offset in part by the amortization of intangible assets arising from the 2001 and 2002 acquisitions. Effective January 1, 2002, we adopted the new accounting standards for goodwill and discontinued amortization of all goodwill effective that date. Amortization of goodwill for 2001 was $39.2 million. See note 2(q)(i) to the 2003 consolidated financial statements for the impact of the change in policy on net loss and per share calculations.

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 the salaries of personnel directly involved with integration activities. All of the integration costs incurred are related to newly acquired facilities, and not to our existing operations.

There were no integration costs in 2003, compared to $21.1 million in 2002 and $22.8 million in 2001. Integration costs vary from period to period due to the timing of acquisitions and related integration activities.

Other charges

	Year ended December 31			
	2001	2002	2003	Total
	(in millions)			
2001 restructuring	$ 237.0	$ 1.9	$ 7.9	$ 246.8
2002 restructuring		383.5	15.7	399.2
2003 restructuring			71.3	71.3
Total restructuring	$ 237.0	$ 385.4	$ 94.9	$ 717.3
2002 goodwill impairment		203.7		203.7
Other impairment	36.1	81.7	82.8	200.6
Deferred financing costs and debt redemption fees		9.6	1.3	10.9
Gain on sale of surplus land		(2.6)	(3.6)	(6.2)
	$ 273.1	$ 677.8	$ 175.4	$ 1,126.3

Further details of the other charges are included in note 11 to the 2003 consolidated financial statements and note 6 to the December 31, 2003 interim consolidated financial statements.

As of December 31, 2003, we have recorded charges in connection with three separate restructuring plans in response to the challenging economic climate. These actions, which included reducing workforce, consolidating facilities and changing the number and location of production facilities, were largely intended to align our capacity and infrastructure to anticipated customer requirements for more capacity in lower cost regions, as well as to rationalize our manufacturing network to the lower demand levels. We have recorded charges totaling $246.8 million for our 2001 restructuring plan, $399.2 million for our 2002 restructuring plan and $71.3 million relating to our 2003 restructuring plan.

We recorded a combined total of $717.3 million for our three restructuring plans. The focus of these restructuring plans was on the Americas and Europe, as they were hit the hardest by the downturn. A total of 18,510 employees have been released from the business as of December 31, 2003. Approximately 620 employee positions remain to be eliminated by mid-2004. Approximately 70% of the employee terminations were in the Americas and 30% in Europe. A total of 29 facilities were closed or downsized in the Americas and Europe, which included the transfer of programs from these higher cost geographies to lower cost geographies. The remaining lease facilities costs are estimated to be paid out through 2015. All cash outlays are expected to be funded from cash on hand.

We have benefited and expect to continue to benefit from the restructuring measures taken in prior years through reduced depreciation, lease and labour costs in cost of sales and SG&A expenses, and reduced amortization of intangibles. These benefits amounted to approximately $250 million in 2003, of which approximately 75% was realized in lower cost of sales and the balance in lower SG&A and amortization of intangibles. We have completed the major components of the 2001 and 2002 restructuring plans, except for certain employee terminations in the Americas and certain long-term lease and other contractual obligations. We expect to complete the remaining 2003 restructuring actions in Europe by mid-2004.

We will continue to evaluate our operations, and could propose future restructuring actions as a result of changes in the marketplace, including the possibility of exiting service offerings no longer sought by our customers. In April 2004, we announced that we would incur an additional pre-tax restructuring charge of between $175.0 million and $200.0 million to be recorded over the next 12 months. We expect to reduce our manufacturing footprint and reduce our global workforce by approximately 10% to 15% over the next 12 months. We estimate that approximately 75% of the charges will be cash costs.

We conduct an annual review of goodwill and long-lived assets in the fourth quarter of each year to correspond with our planning cycle, absent of any triggering factors which would have necessitated a review earlier in the year. In the course of finalizing our annual plans, we made certain decisions regarding our restructuring plans and the transfer of customer programs from higher cost to lower cost geographies. These actions, coupled with weakened end markets, have significantly impacted forecasted revenue and have reduced the net cash flows for certain sites, resulting in impairment when compared to the carrying value of

S-43

long-lived assets including intangible assets and capital assets. In the fourth quarter of 2003, we recorded non-cash charges against intangible assets of $25.3 million, and $57.5 million against capital assets, which included an impairment of $14.3 million relating to the purchase of a leased facility. In the fourth quarter of 2002, we recorded non-cash charges of $203.7 million against goodwill, $69.0 million against intangible assets, and $12.7 million against capital assets. In 2001, we recorded non-cash charges totaling $36.1 million, primarily against goodwill, intangible assets and other assets.

We may continue to experience goodwill and long-lived asset impairment charges in the future as a result of changes in the electronics industry, customer demand and other market conditions, which may have a material adverse effect on our financial condition.

Interest income, net

Interest income in 2003 decreased to $9.4 million compared to $17.2 million in 2002. The reduction in interest income in 2003 is due to lower cash balances being invested at lower interest rates compared to 2002. Interest income was offset by interest expense of $5.4 million in 2003, compared to $16.1 million in 2002.

Interest income in 2002 amounted to $17.2 million, compared to $27.7 million in 2001. Interest income decreased for 2002 compared to 2001, primarily due to lower interest rates on cash balances. Interest income was offset by interest expense incurred on our Senior Subordinated Notes and debt facilities. Interest expense decreased from $19.8 million in 2001 to $16.1 million in 2002, due to the redemption of the Senior Subordinated Notes in August 2002.

Income taxes

Income tax expense in 2003 was $33.1 million on a net loss before tax of $233.6 million, compared to a recovery of $91.2 million on a net loss before tax of $537.1 million in 2002. The effective tax rate for 2003 was negative 14.2%, compared to an effective tax rate of 17% in 2002. The tax rate and resulting tax expense were impacted by the increase in the valuation allowance, primarily recorded against existing European deferred tax assets ($35.3 million) and 2003 European restructuring charges and European operating losses.

In addition, our effective tax rate is impacted by the mix and volume of business in lower tax jurisdictions within Europe and Asia, tax holidays and tax incentives that have been negotiated with the respective tax authorities (which expire between 2004 and 2012 see note 12 to the 2003 consolidated financial statements), restructuring charges, operating losses, the time period in which losses may be used under tax laws, and the impairment of deferred income tax assets. The tax benefit arising from the tax holidays and tax incentives is approximately $17.6 million, or $0.08 diluted per share, for 2003 and $24.9 million, or $0.11 diluted per share, for 2002. Such tax holidays are subject to conditions with which we expect to continue to comply.

The net deferred income tax asset for 2003 of $225.0 million ($274.3 million as at December 31, 2002), arises from available income tax losses and future income tax deductions. Our ability to use these income tax losses and future income tax deductions is dependent upon our operations in the tax jurisdictions in which such losses or deductions arose. Management records a valuation allowance against deferred income tax assets when management believes it is more likely than not that some portion or all of the deferred income tax assets will not be realized. Based on the reversal of deferred income tax liabilities, projected future taxable income, and the character of the income tax assets and tax planning strategies, management has determined that a valuation allowance of $185.3 million is required in respect of our deferred income tax assets as at December 31, 2003 ($76.6 million as at December 31, 2002). In order to fully utilize the net deferred income tax assets of $225.0 million, we will need to generate future taxable income of approximately $642.5 million. Based on our current projection of taxable income for the periods in which the deferred income tax assets are deductible, it is more likely than not that we will realize the benefit of the net deferred income tax assets as at December 31, 2003.

Liquidity and Capital Resources

In 2003, operating activities utilized $158.5 million in cash, compared to providing $982.8 million in cash in 2002. Cash from operations was negatively impacted by depressed volumes and program transfers. $252.6 million was used to support higher inventory levels. Inventory was purchased earlier in the cycle to ensure adequate supply in response to increased customer demand in the fourth quarter of 2003, as well as to support the increasing sales momentum going into the first quarter of 2004. Investing activities for 2003 included capital expenditures of $175.9 million, primarily to expand manufacturing capacity in Asia and to purchase the building in Fort Collins, Colorado which we previously leased. Investing activities for 2002 included capital expenditures of $151.4 million and asset acquisitions of $111.0 million, offset, in part, by proceeds from the sale-leaseback of machinery and equipment, and the sale of our Columbus, Ohio facility.

For the three months ended March 31, 2004, operating activities utilized $76.3 million in cash, compared to providing $85.4 million in cash for the same period in 2003. Cash from operations was used to support higher accounts receivable and inventory levels. Inventory was purchased in response to increased customer demand. Investing activities for the three months ended March 31, 2004 included capital expenditures of $56.4 million, primarily to expand manufacturing capabilities in lower cost geographies such as Malaysia, Thailand and the Czech Republic. Investing activities also included $51.6 million paid as consideration in the MSL acquisition, offset in part by MSL's cash on hand at closing. Financing activities included a $38.1 million repayment of loans assumed in connection with the MSL acquisition.

We continue to focus on efficiency including improving cash cycle days and inventory turns. Our average cash cycle, calculated as accounts receivable days plus inventory days minus payable days (defined as current liabilities excluding interest bearing items), for 2003 was 7 days, an improvement of 11 days over 2002. Average cash cycle for the three months ended March 31, 2004 was 16 days, compared to 10 days for the fourth quarter of 2003. This increase in days is primarily a result of carrying higher inventory, particularly earlier in the quarter, and accounts receivable balances.

We may, from time to time, repurchase LYONs in the open market. In 2003, LYONs with a principal amount at maturity of $435.9 million were repurchased at an average price of $512.75 per LYON, for a total cash outlay of $223.5 million. A loss of $2.8 million was recorded for the year. There were no repurchases in the first quarter of 2004. Through March 31, 2004, we repurchased LYONs with a total principal amount at maturity of $658.8 million, for a total cash outlay of $323.8 million. We currently have pre-approval to spend up to an additional $126.2 million to repurchase LYONs, at management's discretion. The amount and timing of future purchases cannot be determined at this time.

As at March 31, 2004, we have outstanding LYONs with a principal amount at maturity of $1,154.7 million payable August 1, 2020. Holders of the instruments have the option to require us to repurchase their LYONs on August 2, 2005, at a price of $572.82 per LYON, or a total of $661.4 million. We may elect to settle our repurchase obligation in cash or shares, or any combination thereof. See further details in note 8 to the 2003 consolidated financial statements.

In April 2003, we amended our Normal Course Issuer Bid (NCIB) to permit us to repurchase up to 10% of the public float, or 18.6 million subordinate voting shares, for cancellation, over a period from August 1, 2002 to July 31, 2003. This program was completed in July 2003. In July 2003, we filed a new NCIB to repurchase up to an additional 10% of the public float, or 17.0 million subordinate voting shares, for cancellation, over a period from August 1, 2003 to July 31, 2004. Under these programs, shares are purchased at the market price at the time of purchase. The number of shares to be repurchased during any 30-day period may not exceed 2% of the outstanding subordinate voting shares. A copy of the notices relating to the two NCIB programs may be obtained from us, without charge, by contacting our Investor Relations department at clsir@celestica.com. In 2003, we repurchased 20.6 million subordinate voting shares at a weighted average price of $13.35 per share. There were no share repurchases in the first quarter of 2004. Through March 31, 2004, a total of 22.6 million subordinate voting shares have been repurchased pursuant to these NCIBs. All of these transactions were funded with cash on hand.

As of December 31, 2003, we had 169.8 million outstanding subordinate voting shares and 39.1 million outstanding multiple voting shares. As of March 31, 2004, we had 184.4 million outstanding subordinate voting shares and 39.1 million outstanding multiple voting shares.

In 2002, we redeemed the entire $130.0 million of outstanding Senior Subordinated Notes which were due in 2006 and paid the contractual premium of 5.25%, or $6.9 million, on redemption.

Since we began our share and debt repurchase activities in the third quarter of 2002, a total of $768.1 million was spent to repurchase senior subordinated notes, subordinate voting shares and LYONs.

We intend to use the net proceeds of the offering of the notes to repurchase LYONs and for general corporate purposes, including future acquisitions. We have agreed to repurchase, concurrently with the offering, LYONs for approximately $46 million in cash.

In connection with the offering, we have entered into interest rate swap agreements which hedge the fair value of the notes, by swapping the fixed rate of interest, for a variable rate. The notional amount of the agreements is $500.0 million. The agreements are effective June 16, 2004 and mature July 1, 2011.

Capital Resources

At December 31, 2003 and March 31, 2004, we had two unsecured credit facilities: a $500.0 million four-year revolving term credit facility and a $250.0 million (reduced from $350.0 million in October 2003) 364-day revolving term credit facility which were to expire in July 2005 and October 2004, respectively. The credit facilities permitted us and certain designated subsidiaries to borrow funds directly for general corporate purposes (including acquisitions) at floating rates. Under the credit facilities, we were required to maintain certain financial ratios. Based on the required minimum financial ratios, at December 31, 2003 we were limited by these facilities to approximately $140 million of additional debt incurrence ($120 million at March 31, 2004). Additional borrowing amounts would have been available to support the funding of acquisitions or to support certain other potential refinancing needs. No borrowings were outstanding under the revolving credit facilities and we were in compliance with all covenants at December 31, 2003 and March 31, 2004. On June 4, 2004, we entered into an agreement to amend our existing 364-day revolving term credit facility by increasing the size of the existing facility from $250.0 million to $600.0 million and extending the expiry to June 2007. Concurrently with this amendment, we terminated our $500.0 million four-year revolving term credit facility. Based on the minimum financial ratios under our new senior unsecured credit facility, after giving effect to the notes offering we currently are limited to approximately $160 million of debt incurrence.

Certain subsidiaries and we have additional uncommitted bank overdraft facilities which total $55.1 million that are available for operating requirements at December 31, 2003 ($61.6 million at March 31, 2004).

We believe that cash flow from operating activities, together with cash on hand and borrowings available under our new unsecured senior credit facility, will be sufficient to fund currently anticipated working capital, planned capital spending and debt service requirements for the next 12 months. At December 31, 2003, we had committed $18.7 million in capital expenditures ($9.1 million at March 31, 2004), principally for machinery and equipment and facilities in Asia. We expect capital spending for 2004 to be in the range of 1.5% to 2.5% of revenue and it will be funded from cash on hand. In addition, we regularly review acquisition opportunities and, as a result, may require additional debt or equity financing.

We have an arrangement to sell up to $400.0 million in accounts receivable under a revolving facility which is available until September 2004. As of December 31, 2003, we generated cash from the sale of $359.3 million in accounts receivable ($389.5 million at March 31, 2004). The purchaser of the accounts receivable is a division of a Schedule "A" Canadian bank, with a Standard & Poor's Ratings Service rating of A and stable outlook, and had assets under management of over $50.0 billion as of the date of its last annual filing. The terms of the arrangement provide that the purchaser may elect not to purchase receivables if our corporate credit rating falls below BB- as determined by Standard & Poor's Ratings Service.

During 2003, both Moody's and Standard & Poor's revised their outlook on us from stable to negative, as a result of reduced revenue and operating profit performance. During the quarter ended March 31, 2004, Standard & Poor's revised our credit rating to BB. In May 2004, Moody's revised our senior implied rating to Ba2. A further reduction in our credit ratings could impact our future cost of borrowing.

We price the majority of our products in U.S. dollars, and the majority of our material costs are also denominated in U.S. dollars. However, a significant portion of our non-material costs (including payroll, facilities costs, and costs of locally sourced supplies and inventory) are denominated in various currencies. The majority of our cash balances are held in U.S. dollars. As a result, we may experience transaction and translation gains or losses because of currency fluctuations. We have an exchange risk management policy in place to control our hedging programs and do not enter into speculative trades. At December 31, 2003, we had forward foreign exchange contracts covering various currencies in an aggregate notional amount of $623.2 million with expiry dates up to January 2006. The fair value of these contracts at December 31, 2003 was an unrealized gain of $49.8 million. At March 31, 2004, we had forward foreign exchange contracts covering various currencies in an aggregate notional amount of $584.8 million with expiry dates up to January 2006. The fair value of these contracts at March 31, 2004 was an unrealized gain of $27.1 million. Our current hedging activity is designed to reduce the variability of our foreign currency costs in the regions in which we have manufacturing operations and generally involves entering into contracts to trade U.S. dollars for various currencies at future dates. In general, these contracts extend for periods of up to 25 months. We may, from time to time, enter into additional hedging transactions to minimize our exposure to foreign currency and interest rate risks. There can be no assurance that such hedging transactions will be successful. See notes 2(n) and 15 to the 2003 consolidated financial statements.

As at December 31, 2003, we have contractual obligations that require future payments as follows:

	Total	2004	2005	2006	2007	2008	Thereafter
				(in millions)			
Long-term debt	$ 3.4	$ 2.7	$ 0.7	$	$	$	$
Operating leases	255.2	60.8	43.1	30.1	21.8	18.9	80.5

As at December 31, 2003, we have commitments that expire as follows:

	Total	2004	2005	2006	2007	2008	Thereafter
				(in millions)			
Foreign currency contracts	$ 623.2	$ 585.6	$ 34.9	$ 2.7	$	$	$
Letters of credit, letters of guarantee and surety and performance bonds	55.9	32.6	16.9		4.0	2.4	
Capital expenditures	18.7	18.7					

Cash outlays for our contractual obligations and commitments identified above are expected to be funded by cash on hand. Purchase commitments are not included in the above table as non-cancelable purchase orders are generally short-term in nature and longer term purchase orders are typically cancelable.

Our pension funding policy is to contribute amounts sufficient to meet minimum local statutory funding requirements that are based on actuarial calculations. We may make additional discretionary contributions based on actuarial assessments. During 2003, we made pension contributions of $33.8 million ($13.5 million in 2002), of which $26.7 million was discretionary ($6.7 million in 2002). We estimate the 2004 statutory pension contribution to range from $7.0 million to $10.0 million and the voluntary pension contribution to range from $8.0 million to $10.0 million.

We have also provided routine indemnifications, whose terms range in duration and often are not explicitly defined. These may include indemnifications against adverse effects due to changes in tax laws and patent infringements by third parties. The maximum amounts from these indemnifications cannot be reasonably estimated. In some cases, we have recourse against other parties to mitigate our risk of loss from these indemnifications. Historically, we have not made significant payments relating to these indemnifications.

In 2003, we expensed management-related fees of $1.4 million charged by our parent company, based on the terms of a management agreement. See note 13 to the 2003 consolidated financial statements.

Recent Accounting Developments

Stock-based compensation and other stock-based payments

Effective January 1, 2003, we adopted the revised CICA Handbook Section 3870. See note 2(q)(ii) to the 2003 consolidated financial statements and note 2(i) to the March 31, 2004 interim consolidated financial statements.

Hedging relationships

In January 2002, the CICA issued Accounting Guideline AcG-13. See note 2(r) to the 2003 consolidated financial statements.

Impairment of long-lived assets

In October 2001, FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Effective January 1, 2003, we adopted the CICA Handbook Sections 3063 and 3475 which are similar to SFAS No. 144. See note 2(j) to the 2003 consolidated financial statements.

Guarantees

In November 2002, FASB issued FIN 45, "Guarantor's Accounting and Disclosure Requirements." Effective January 1, 2003, we adopted the new CICA Accounting Guideline AcG-14 which harmonizes Canadian GAAP to the disclosure requirements of FIN 45. See notes 20(l) and 16 to the 2003 consolidated financial statements.

Consolidation of variable interest entities

In January 2003, FASB issued FIN 46. In June 2003, the CICA issued Accounting Guideline AcG-15 which is similar to FIN 46. See notes 2(r) and 20(l) to the 2003 consolidated financial statements. In December 2003, FASB revised FIN 46. The CICA reaffirmed its plan to harmonize with the revised U.S. guidance, and expects its standard to be effective for 2005.

Restructuring charges

Effective January 1, 2003, we adopted the CICA Abstracts EIC-134, "Accounting for Severance and Termination Benefits," and EIC-135, "Accounting for Costs Associated with Exit and Disposal Activities," which are similar to the FASB standards. See notes 2(p) and 20(l) to the 2003 consolidated financial statements.

Asset retirement obligations

Effective January 1, 2004, we retroactively adopted CICA Handbook Section 3110, which is similar to the FASB standards. See notes 2(r), 20(l) and 23 to the 2003 consolidated financial statements and note 2(ii) to the March 31, 2004 interim consolidated financial statements.

Liabilities and equity

In November 2003, the CICA revised Handbook Section 3860, "Financial Instruments Presentation and Disclosure." See note 2(r) to the 2003 consolidated financial statements.

Revenue recognition

In December 2003, the CICA issued EIC-141, "Revenue Recognition" and EIC-142, "Revenue Arrangements with Multiple Deliverables." The FASB has similar standards. See note 2(r) to the 2003 consolidated financial statements.

Generally accepted accounting principles

In July 2003, the CICA issued Handbook Section 1100, "Generally Accepted Accounting Principles." See note 2(r) to the 2003 consolidated financial statements.

BUSINESS

We were incorporated in Ontario, Canada under the name Celestica International Holdings Inc. on September 27, 1996. Since that date, we have amended our articles of incorporation on various occasions, principally to modify our corporate name and our share capital. Our legal name and commercial name is Celestica Inc. We are a corporation domiciled in the Province of Ontario, Canada and operate under the Ontario Business Corporations Act. Our principal executive offices are located at 1150 Eglinton Avenue East, Toronto, Ontario, Canada M3C 1H7 and our telephone number is (416) 448-5800. Our website is http://www.celestica.com. Information on our website is not incorporated by reference in this prospectus supplement.

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

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

Business Overview

Our goal is to be the "partner of choice" in EMS. We believe we are well 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. Our strategy is to (i) steadily improve our operating margins and increase operating efficiency by driving costs lower and providing supply chain solutions that capture value for us and our customers, (ii) leverage our position in the areas of technology, quality and supply chain management, (iii) develop and enhance profitable, strategic relationships with leading OEMs, (iv) broaden the range of the services we provide to OEMs in areas that can reduce their manufacturing, supply chain and product development costs, (v) continue to diversify our end markets, serving a wide variety of OEMs, and (vi) selectively pursue acquisitions that enhance the company's EMS and supply chain strategies. We believe that the successful implementation of this strategy will allow us to achieve significantly improved financial performance and enhance shareholder value.

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

We have historically targeted industry-leading OEMs primarily in the computing and communications sectors. In addition to this, we are increasing our diversification across other markets, such as aerospace and defense, industrial, consumer and automotive, to reduce the risk of reliance on those sectors. We supply products and services to over 160 OEMs. In the aggregate, our top ten customers represented 73% of revenue in 2003. The products we manufacture can be found in a wide array of end products, including: cell phones and pagers, electronic metering devices, hubs and switches, LAN and WAN networking cards, laser printers, mainframe computers, mass storage devices, medical products, modems, multimedia peripherals, PBX switches, personal computers, PDAs, photonic devices, routers, scalable processors, servers, switching products, video broadcasting equipment, wireless base stations, wireless loop systems and workstations.

Our principal competitive advantages are our advanced capabilities in the areas of technology and quality, our flexible manufacturing network and our effective supply chain management. We are an industry leader in a wide range of advanced manufacturing technologies, using established and emerging process technologies. We believe our test capabilities are among the best in the industry and enable us to produce highly reliable products, including products that are critical to the functioning of our customers' products and systems. Our size, geographic reach and leading expertise in supply chain management allow us to purchase materials effectively and to deliver products to customers faster, thereby reducing overall product costs and reducing the time-to-market.

We believe that our highly skilled workforce gives us a distinct competitive advantage. Through innovative compensation and an employee stock ownership plan, we have developed an entrepreneurial, participative and team-based culture.

Electronics Manufacturing Services Industry

Overview

The EMS industry is comprised of companies that provide a broad range of manufacturing services to OEMs. As the capabilities of EMS companies evolved from manufacturing components or partial assemblies to providing complex manufacturing services, an increasing number of OEMs adopted and became increasingly reliant upon manufacturing outsourcing strategies. Today, the leading EMS companies have global footprints with worldwide supply chain management and offer end-to-end services for the product lifecycle, including front-end design and product development, advanced manufacturing, final system assembly and test, direct order fulfillment, and after-market service and support. By outsourcing their manufacturing and related services, OEMs are able to focus on their core competencies, including product development, sales, marketing and customer service, while leveraging the expertise of EMS providers.

According to International Data Corporation, the global EMS market was estimated to be $92 billion in 2003 and is expected to grow to $144 billion by 2007, representing a compounded annual growth rate of 11.8%. We see numerous industry trends that are fueling this growth. These include the continuing trend of computing and communications companies to outsource their electronics manufacturing and to divest manufacturing assets; the more widespread adoption of an electronic manufacturing outsourcing strategy by the industrial, aerospace and defense and consumer electronics industries; and OEMs increasingly looking to the EMS industry to reduce their overall cost of goods sold. We believe increased outsourcing adoption by OEMs will continue because it allows OEMs to:

Reduce Operating Costs and Invested Capital

OEMs are under significant pressure to reduce manufacturing costs and capital expenditures as electronics products have become more technically advanced and the manufacturing process has become increasingly automated, which requires 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.

Speed Time-to-Market

Electronics products are experiencing increasingly shorter product lifecycles, requiring OEMs to continually reduce the time required to bring products to market. OEMs can significantly improve product development cycles and enhance time-to-market by benefiting from the expertise and infrastructure of EMS providers. This includes capabilities relating to design services, quick-turn prototype development and rapid ramp-up of new products to high volume production, with the critical support of worldwide supply chain management.

Utilize EMS Companies' Procurement, Inventory Management and Logistics Expertise

OEMs that manufacture internally are faced with greater complexities in planning, procurement and inventory management due to frequent design changes, short product lifecycles and product demand fluctuations. OEMs can address these complexities by outsourcing to EMS providers that (i) possess sophisticated supply chain management capabilities and (ii) can leverage significant component procurement advantages to lower product costs.

Access Leading Engineering Capabilities and Technologies

Electronics products and electronics manufacturing technology have become increasingly sophisticated and complex. As a result, OEMs increasingly rely on EMS companies to provide design and engineering support and manufacturing and technological expertise. EMS companies' design and engineering services can assist OEMs with the development of a new product concept, as well as with improvements in performance, cost and time required to bring products to market. In addition, OEMs gain access to high quality manufacturing expertise and capabilities in the areas of advanced process, interconnect and test technologies.

Improve Access to Global Markets

OEMs 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.

Celestica's Strategy

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

Steadily Improve Operating Margins and Increase Operating Efficiency

Operating margins and working capital performance deteriorated in 2003 as demand hit three-year lows for us. To address this challenge, management is committed to applying strategies and processes designed to improve margins around the world. We are executing our plan to improve overall financial margins by (i) completing our restructuring program, (ii) leveraging corporate procurement capabilities to lower materials costs, (iii) increasing utilization of facilities to take advantage of significant operating leverage, (iv) deploying corporate cost reduction and productivity enhancement initiatives on a global basis, (v) applying best practices throughout our operations worldwide, (vi) moving production to lower cost regions and (vii) compensating our employees based, in part, on the achievement of earnings targets. In order to drive greater efficiency, we are also committed to the deployment of lean manufacturing and Six Sigma techniques, designed to improve manufacturing processes by reducing waste and redundancy within our manufacturing facilities. We will continue our intensive focus on maximizing asset turnover, which, combined with the margin enhancements measures described above, we believe will increase our return on invested capital.

Leverage Expertise in Technology, Quality and Supply Chain Management

We are committed to meeting our customers' needs in the areas of technology, quality and supply chain management. Our modern plants across the world and leading technological capabilities enable us to produce complex and highly sophisticated products to meet the rigorous demands of our OEM customers. 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 expertise 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 Profitable, Strategic Relationships with Leading OEMs

We seek to build and sustain profitable, strategic relationships with industry leaders in sectors that can benefit from the delivery of our innovative electronics manufacturing services. In addition, we are focused on identifying and developing new customer relationships. To this end, we pursue opportunities which exploit our competitive advantages in the areas of technology, quality and supply chain management. We conduct ourselves as an extension of our customers' organizations, which enables us to respond to their needs with speed, agility and a commitment to deliver results. This strategy has allowed us to establish and maintain strong manufacturing relationships with a wide range of leading OEMs such as Cisco Systems, Inc., IBM, Lucent Technologies, Inc. and Sun Microsystems, Inc. Going forward, we believe our existing OEM customer base will be a strong source of growth for us as we seek to strengthen these relationships through the delivery of additional products and services.

Expand Range of Service Offerings

We continually look to expand the breadth and depth of the services we provide to OEMs in areas that can reduce their design, manufacturing, supply chain and product costs. 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, logistics, fulfillment and after-market services. We have also developed reference designs for servers and workstations based on next-generation 64-bit microprocessors. We will expand our capabilities and service offerings on a global basis based on potential returns to the company and in response to the changing needs of our customers.

Continue to Diversify End Markets and Customer Base

We have a diversified customer base whose products serve the communications, server, storage and other, workstation and personal computer industries. In 2003, revenue by end-market users was as follows: enterprise communications 25%; telecommunications 23%; servers 22%; storage 13%; other 10%; and workstations and personal computers 7%. We target industry-leading OEMs, primarily in the computing and communications sectors. In addition to this, our strategy includes increasing our diversification across other markets, such as aerospace and defense, industrial, consumer, and automotive, to reduce the risk of reliance on certain sectors. As a result of our acquisition of MSL, our customer base has expanded to include commercial avionics, automotive, retail systems and peripherals.

Selectively Pursue Strategic Acquisitions

We have completed numerous acquisitions. We will continue to selectively 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. We have developed and deployed a comprehensive integration strategy to support our acquisitions. This 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.

Celestica's Business

EMS Services

We are positioned as a value-added provider within the EMS industry with a full spectrum of products and services to capitalize on our extensive technological know-how and intellectual capital. 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. We offer a full range of manufacturing services including those discussed below.

Supply Chain Management

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

Design

Our 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 manufacture. Electronic linkages between the customer and our design group and our manufacturing group help to ensure that new designs are released rapidly, smoothly and cohesively into production.

Reference Designs

Reference designs are off-the-shelf hardware that enable OEMs to enhance their own product roadmaps with standard or easily customizable systems developed by us and our key technology partners. Increased product design activity is one of the additional services OEMs are requesting from EMS companies, and our strong track record in the manufacture of advanced information technology should allow us to be effective in this area. An example is the major initiative that we have taken in the area of 64-bit reference designs, where we have developed server and workstation products based on next-generation, industry-standard microprocessors from Advanced Micro Devices (AMD) and Intel Corporation.

Prototyping

Prototyping is a critical stage in the development of new products which is enhanced by linkages between OEM and EMS engineers. Our prototyping and new product introduction centers are strategically located, enabling us to provide a quick response to customer demands, facilitating greater collaboration between our engineers and those customers, and providing a seamless entry into 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. We work independently and with customers and suppliers to develop leading assembly and test technologies.

Full System Assembly

We provide 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. Our full system assembly services involve combining a wide range of sub-assemblies (including PCA) and employing advanced test techniques for 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 provide product assurance to our OEM customers. Our product assurance team performs product life testing and full circuit characterization to ensure that designs meet or exceed required specifications. We are accredited as a National Testing Laboratory capable of testing to international standards (*e.g.*, Canadian Standards Association and Underwriters Laboratories). We believe that this service allows customers to attain product certification significantly faster than is customary in the EMS industry.

Failure Analysis

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

Logistics

We are able to leverage our expertise, relationships and global scale in manufacturing, supply chain management and fulfillment to provide a fully integrated logistics solution to meet every need. Our logistics offering includes warehouse and distribution, freight management, logistics consulting services, product and materials visibility and reverse logistics.

Packaging and Global Fulfillment

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

After-Market Services

We offer a wide range of after-market support services. This support can be individualized to meet each customer's requirements and includes field failure analysis, product upgrades, repair and engineering change management.

Quality Management

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

In addition to these standards, we are committed to deployment of lean manufacturing and Six Sigma techniques throughout all of our manufacturing network. The implementation of lean production systems should result in increased efficiencies and greater operating leverage.

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

Geographies

In 2003, approximately 44% of our revenue was produced in North America. Facilities in Asia and Europe generated approximately 36% and 20%, respectively, of our revenue in 2003. A listing of our principal locations is included in "Business Description of Property." We are focused on expanding our resources and capability in lower cost geographies. We believe that locating in lower cost geographic regions such as Central Europe and Asia complements our service offerings by providing lower cost manufacturing solutions to our OEM customers for certain price-sensitive applications.

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

Sales and Marketing

We have adopted a focused marketing approach targeted at creating profitable, strategic relationships with leading OEMs in our end markets. Our sales and marketing is an integrated set of processes designed to provide a single "face" to the customer worldwide. Our coordination of efforts with key global customers has been enhanced by the creation of customer-focused units each headed by a group general manager to oversee the entire relationship with such customers. We have a global network comprised of direct sales representatives, operational and project managers, account executives and supply chain management, as well as senior executives. Our sales resources are directed at multiple management and staff levels within target accounts. Sales offices are located in proximity to key customers and markets.

Customers

We have targeted industry-leading customers primarily in the computing and communications sectors. We supply products and services to over 160 OEMs, including such industry leaders as Avaya Inc., Cisco Systems, Inc., EMC Corporation, Hewlett-Packard Corporation, IBM, Lucent Technologies Inc., Motorola, Inc., NEC Corporation, and Sun Microsystems, Inc.

During 2003, our four largest customers, Cisco Systems, Inc., IBM, Lucent Technologies Inc. and Sun Microsystems, Inc., each represented in excess of 10% of total revenue and in the aggregate represented 44% of total revenue. During 2002, our three largest customers, IBM, Lucent Technologies Inc. and Sun Microsystems Inc., each represented in excess of 10% of total revenue and in the aggregate represented 48% of total revenue. Our top ten customers represented approximately 73% of total revenue in 2003 (compared with 85% in 2002).

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

We derive most of our revenue from OEM customers. The contractual agreements with our key customers generally provide a framework for our overall relationship with the customers. We have contractual arrangements with the majority of our customers that require the customer to purchase unused inventory that we have purchased to fulfill that customer's forecasted manufacturing demand.

Technology and Research and Development

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

Our customer-focused factories are highly flexible and are continually reconfigured to meet customer-specific product requirements. We have extensive capabilities across a broad range of specialized assembly process technologies. 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, we employ internally-developed automated robotic technology to perform in-process repair.

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

We have recently increased our research and development spending as a result of our participation in reference designs. Reference designs are off-the-shelf hardware that enable OEMs to enhance their own product roadmaps with standard or easily customizable systems developed by us and our key technology partners. Reference design is a major initiative for us. In the area of 64-bit reference designs, we have developed server and workstation products based on next-generation, industry-standard microprocessors from AMD and Intel. Over time, our investment in research and development activities could fluctuate based on the level of development activity we have in our reference design service offering.

Supply Chain Management

We have strong relationships with a broad range of suppliers. We use electronic data interchange with our key suppliers and ensure speed of supply through the use of automated receiving and full-service distribution capabilities. During 2003, we procured and managed approximately $5 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, Europe and several locations in the Americas and the other system is common throughout the rest of our operations. These systems provide management with the data required to manage the logistical complexities of the business. These systems are augmented by and integrated with other applications such as shop floor controls, component database management and design tools.

We employ a strategy of risk minimization relative to our inventory and generally order materials and components only to the extent necessary to satisfy existing customer orders. We have implemented specific inventory management strategies with certain suppliers such as "supplier managed inventory" (pulling inventory at the production line on an as-needed basis) and "real-time component pricing" (the ability to obtain the advantage of the most recent price change in component pricing) designed to minimize the risk to us of cost fluctuations. In providing contract manufacturing services to our customers, we are largely protected from the risk of fluctuations in inventory costs, as these costs are generally passed through to customers.

All of the products we manufacture or assemble require one or more components. In many cases, there may be only one supplier of a particular component. Some of these components could be rationed in response to supply shortages. We attempt to ensure continuity in the supply of these components. In cases where unanticipated customer demand or supply shortages occur, we attempt to arrange for alternative sources of supply, where available, or 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, NEC Corporation and other companies. We believe that we have secured access to all required technology that is material to the current conduct of our business.

We regard our manufacturing processes and certain designs as proprietary trade secrets and confidential information. We also have intellectual property associated with our reference design activity and may develop additional intellectual property based on the products we may produce in the future with this service offering. We rely largely upon a combination of trade secret laws, non-disclosure agreements with our customers and suppliers and our internal security systems, confidentiality procedures and employee confidentiality agreements to maintain the trade secrecy of our designs and manufacturing processes. Although we take steps to protect our trade secrets, there can be no assurance that misappropriation will not occur.

We currently have a limited number of patents and patent applications pending. However, we believe that the rapid pace of technological change makes patent protection less significant than such factors as the knowledge and experience of management and personnel and our ability to develop, enhance, and market 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 us non-exclusive, worldwide licenses with respect to the subject technology and terminate upon a material breach by us of the terms of the licensing agreement.

Competition

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

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

Human Resources

As of December 31, 2003, we employed over 40,000 permanent and temporary (contract) employees worldwide. Given the variable nature of our project flow and the quick response time required by our customers, it is critical that we be able to quickly ramp our production up or down to maximize efficiency. To achieve this, our strategy has been to employ a skilled temporary labor force, as required.

Culturally, we are 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 believe that our employee relations are good. Certain of our employees in the United Kingdom, France, Italy, Mexico, U.S., Japan and Brazil are represented by unions.

Environmental Matters

We are 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. From time to time we 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 we lease or own in connection with our acquisition or lease of such facilities. Where contamination is suspected, Phase II intrusive environmental assessments (including soil and/or groundwater testing) are usually performed. We expect to conduct such environmental assessments in respect to future property acquisitions where consistent with local practice. These environmental assessments have not revealed any environmental liability that we believe, based on current information, will have a material adverse effect on our results of operations, business, prospects or financial condition, nor are we aware that we have any such material environmental liability, in part because of the contractual retention of liability for some contamination and its remediation by landlords and former owners at some sites. It is possible that our assessments do not reveal all environmental liabilities or that there are material environmental liabilities of which we are not presently aware or that future changes in law or enforcement standards will cause us to incur significant costs or liabilities in the future.

Backlog

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

Seasonality

With a significant exposure to computing and communications infrastructure products, we have historically seen a level of seasonality in its quarterly revenue patterns. This seasonality has generally resulted in lower volumes in our first quarter, gradually increasing throughout the year, culminating in higher revenue in the fourth quarter. Seasonality is also reflective of the mix and complexity of the products manufactured. As a result of this mix and our efforts to diversify our revenue base, it is difficult to predict the extent and impact of seasonality on our business.

Litigation

We are party to litigation from time to time. We currently are not party to any legal proceedings which management expects will have a material adverse effect on the results of operations, business, prospects or financial condition of Celestica.

Description of Property

The following table summarizes our principal facilities as of April 1, 2004. Our facilities are used to manufacture printed circuit boards, assemble and configure final systems and for other related manufacturing and customer support activities.

Facility	Manufacturing Square Footage	Owned/Leased
	(in thousands)	
Toronto, Ontario	888	Owned
Montreal, Quebec(1)	180	Owned
Denver, Colorado	235	Leased
Little Rock, Arkansas	424	Owned
Fort Collins, Colorado	200	Owned
Chippewa Falls, Wisconsin(1)	127	Owned
Salem, New Hampshire	278	Leased
San Jose, California	131	Leased
Mt. Pleasant, Iowa	85	Leased
Milwaukie, Oregon	61	Leased
Charlotte, North Carolina	273	Leased
Raleigh, North Carolina	70	Leased
Arden Hills, Minnesota	158	Leased
Austin, Texas	51	Leased
Dallas, Texas	69	Leased
Kidsgrove, England	100	Owned
Telford, England	50	Owned
Galway, Ireland	133	Leased
Vimercate, Italy	550	Owned
Saumur, France	142	Owned
Guerande, France	130	Owned
Rajecko, Czech Republic	170	Owned
Kladno, Czech Republic	166	Owned
Barcelona, Spain	58	Leased
Valencia, Spain(2)	518	Leased/Owned
Monterrey, Mexico(2)	327	Leased/Owned
Reynosa, Mexico(2)	481	Leased
Queretaro, Mexico	77	Leased
Aquadilla, Puerto Rico	94	Leased
Jaguariuna, Brazil	134	Leased
Shanghai, China	392	Owned
Dongguan, China	331	Leased
Suzhou, China(2)	516	Owned/Leased
Xiamen, China	25	Leased
Shatin, Hong Kong	82	Leased
Indonesia	48	Leased
Johor Bahru, Malaysia(2)	497	Leased
Kulim, Malaysia	324	Owned
Singapore(3)	315	Owned/Leased
Japan(3)	491	Owned/Leased
Laem Chabang, Thailand	437	Leased
Rayong, Thailand	41	Leased
Cebu, Philippines	125	Owned

(1)
As part of our restructuring plans, we have announced that we will close this site by the end of 2004.

(2)
This represents two facilities.

(3)

This represents three facilities.

Our principal executive office is located at 1150 Eglinton Avenue East, Toronto, Ontario M3C 1H7. All of our principal facilities are ISO certified to ISO 9001 or ISO 9002 standards. Most of our principal facilities are also certified to the ISO 14001 (environmental) standards.

The leases for our leased facilities expire between 2004 and 2056. We currently expect to be able to extend the terms of expiring leases or to find replacement facilities on reasonable terms.

As part of our restructuring plans, we have consolidated facilities and changed our strategic focus as to the number and geography of sites. We have rationalized our global manufacturing network to increase the percentage of our facilities in lower cost geographies. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Operating Results" for additional information concerning our restructurings.

MANAGEMENT

Senior Management

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

Name	Age	Position with Celestica
Stephen W. Delaney	44	Chief Executive Officer
J. Marvin MªGee	51	President
Anthony P. Puppi	46	Chief Financial Officer
Neo Kia Quek	56	President, Asia Operations
John Boucher	44	President, Americas Operations
Peter J. Bar	46	Senior Vice President and Corporate Controller
Arthur P. Cimento	46	Senior Vice President, Corporate Strategies
Elizabeth L. DelBianco	44	Senior Vice President, Chief Legal Officer and Corporate Secretary
Iain S. Kennedy	42	Group Executive, Global Supply Chain and Information Technology
Lisa J. Colnett	46	Senior Vice President, Human Resources
Paul Nicoletti	36	Senior Vice President and Corporate Treasurer
Rahul Suri	39	Senior Vice President, Corporate Development

The following is a brief biography of each of our senior officers:

Stephen W. Delaney has been Celestica's Chief Executive Officer since January 2004. Mr. Delaney is responsible for charting Celestica's course and overall company strategy. Prior to this position, he was the President, Americas operations, where he was responsible for Celestica's operations in the region. Before joining Celestica in 2001, Mr. Delaney was the Vice President and General Manager of Interior and Exterior Systems Business at Visteon Automotive Services, where he was responsible for a division with 25 plants and 25,000 employees spanning North and South America, Europe, and Asia. Prior to joining Visteon in 1997, as Vice President of Supply, Mr. Delaney held executive and senior management roles in the operations of AlliedSignal's Electronic Systems business, Ford's Electronics Division, and IBM's Telecommunications division. Mr. Delaney holds a Master of Business Administration degree from Duke University in North Carolina and a Bachelor of Science degree in Industrial Engineering from Iowa State University.

J. Marvin MªGee has been President of Celestica since February 2001. In his current role, he is responsible for Celestica's worldwide business development including Regional Sales, Global Customer Accounts, Diversified Markets and Marketing and Sales. Previously he served as President and Chief Operating Officer of Celestica from February 2001 until April 2004. Prior to that, he held the position of Executive Vice President, Worldwide Operations since October 1999. Mr. MªGee joined the company in January 1997, as Senior Vice President, Canadian Operations. Before joining Celestica, he spent 18 years with IBM Canada where he held a number of executive positions in manufacturing and development, with assignments in Canada and the United States. Mr. MªGee holds a Bachelor of Science degree in Mechanical Engineering from the University of New Brunswick and a Master of Business Administration degree from McMaster University.

Anthony P. Puppi has been the Chief Financial Officer of Celestica since its establishment and was a Director of Celestica from October 1996 to April 2002. Mr. Puppi is responsible for Celestica's global financial activities. He was appointed Executive Vice President in October 1999, and served as General Manager, Global Services from January 2001 until April 2004. 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.

Neo Kia Quek has been the President, Asia Operations of Celestica since September 2002. He is responsible for Celestica's operations in China, Hong Kong, Indonesia, Japan, Malaysia, Singapore and Thailand. Prior to that, Mr. Quek was Senior Vice President, Asia Operations from February 2000. Before joining Celestica in 1999, he was the Senior Vice President of Asia Operations for IMS. Mr. Quek has over

25 years direct high-tech experience and, over the course of his career, has held positions at Intel, Seagate, National Semi-conductor, GE, SCI Systems and Siemens in operations, repair services, process engineering, quality assurance and power. Mr. Quek holds a Bachelor degree in Management Studies from the Management Institute of Singapore.

John Boucher joined Celestica in March 2004. He currently holds the position of President, Americas Operations, and is responsible for all manufacturing operations in Canada, the U.S., Mexico and Brazil. Prior to joining Celestica, he was Group Vice President, Electronics Manufacturing Services Operations, MSL since 2003. Prior to that, Mr. Boucher was Corporate Vice President, Global Supply Chain Management since 1999. Before joining MSL in 1995 as part of the company's founding team, Mr. Boucher managed the start up of after-market operations at Circuit Test Inc. Prior to that, he spent over 17 years with Digital Equipment Corporation, where he held a number of senior management positions. Mr. Boucher's educational background includes: the Executive Program in International Management, Babson College, Wellesley, Massachusetts; the Professional Enrichment program, Boston University; and Fitchburg State College, Business Management program.

Peter J. Bar has been Corporate Controller of Celestica since February 1999 and was appointed Senior Vice President in April 2004. He joined Celestica in March 1998, as Vice President, Finance Power Systems. Prior to joining Celestica, Mr. Bar was the Director of Finance for the Personal Systems Group of IBM Canada. During his 14-year career in the information technology industry, he has served in several senior management positions for both IBM Canada and IBM's headquarters in Armonk, New York. Mr. Bar holds a Bachelor of Commerce degree from the University of Toronto and a Chartered Accountant designation.

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

Elizabeth L. DelBianco joined Celestica in February 1998. As the Senior Vice President, Chief Legal Officer and Corporate Secretary, she is responsible for the legal affairs of Celestica on a global basis, including all aspects of regulatory compliance and corporate governance. Ms. DelBianco came to Celestica following a 13-year career as a senior corporate legal advisor in the telecommunications industry. Ms. DelBianco is currently a member of the Continuous Disclosure Advisory Committee to the Ontario Securities Commission. Ms. DelBianco holds a Bachelor of Arts degree from the University of Toronto, a Bachelor of Laws degree from Queen's University and a Master of Business Administration degree from the University of Western Ontario. She is admitted to practice in Ontario and New York.

Iain S. Kennedy has been Senior Vice President of Celestica since 1996. He is currently responsible for Celestica's Global Supply Chain Management (SCM) and Information Technology (IT) organizations, which includes maintaining industry-leading performance and deploying a competitive operational strategy across the company's sophisticated global manufacturing network. Previously, he was responsible for the integration of new acquisitions as well as South American Operations from October 2000 until November 2002. Prior to that he led Celestica's Mergers and Acquisitions team from 1996 through September 2000. Mr. Kennedy joined IBM Canada in 1984, and, over the course of his career, has held a number of senior management positions in key areas of the business, including supply chain management, manufacturing operations, business development, and information technology as Chief Information Officer from 1996 to 1998. Mr. Kennedy holds a Bachelor of Science degree in Computer Science from the University of Western Ontario and a Master of Business Administration (Ivey Scholar) degree from the Richard Ivey School of Business, University of Western Ontario.

Lisa J. Colnett has been a Senior Vice President since October 1996. In her current role as Senior Vice President, Human Resources, she is responsible for Celestica's global human resources programs and practices. Previously, Ms. Colnett served as Senior Vice President, Chief Information Officer and Worldwide Process Management, and was responsible for key functions including information technology and manufacturing. 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, manufacturing management and human resources. Ms. Colnett holds a Bachelor of Business Administration degree from the University of Western Ontario.

Paul Nicoletti has been Corporate Treasurer since September 2002 and was appointed Senior Vice President in April 2004. He is responsible for all corporate finance and treasury-related matters, in addition to global tax. Previously, he was Vice President, Global Financial Operations from February 2001, where he led the regional financial organizations on a global basis. Prior to that, from August 1999, he was Vice President, Finance and was responsible for all financial aspects of Celestica's Canadian and Mexico EMS operations. Mr. Nicoletti joined IBM in 1989 and, over the course of his career, has held a number of senior financial roles in business development, planning, accounting, pricing and financial strategies. He was responsible for leading all financial strategies and due diligence relating to the divestiture of Celestica from IBM. Mr. Nicoletti holds a Bachelor of Arts degree from the University of Western Ontario and a Master of Business Administration degree from York University.

Rahul Suri has been Senior Vice President of Celestica since July 2000. In his current role as Senior Vice President, Corporate Development, he is responsible for overseeing and implementing Celestica's corporate development (including acquisitions) strategy and program, and integrating each initiative Celestica completes. Prior to joining Celestica, he worked in a range of related positions, including Managing Director in the Mergers and Acquisitions Group at BMO Nesbitt Burns Investment Banking, and Partner at Davies Ward & Beck (now Davies Ward Phillips & Vineberg LLP). For three years, Mr. Suri was a visiting professor at Queen's University Law School, Ontario where he taught advanced corporate law and mergers and acquisitions to final year students. In 1992, he served as an Advisor to the chairman and the executive director of the Ontario Securities Commission. Mr. Suri has a Master of Arts degree in Law from Cambridge University, England and is qualified as a barrister and solicitor in the Province of Ontario.

Directors

Each of our directors is elected by our shareholders to serve until the next annual meeting or until a successor is elected or appointed. The following table sets forth certain information regarding the directors.

Name	Age	Position with Celestica
Robert L. Crandall	68	Chairman of the Board and Director
William A. Etherington	62	Director
Richard S. Love	66	Director
Anthony R. Melman	56	Director
Gerald W. Schwartz	62	Director
Charles W. Szuluk	61	Director
Don Tapscott	56	Director

The following is a brief biography of each of our directors:

Robert L. Crandall was appointed Chairman of the Board of Celestica in January 2004. He 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 Air Cell Inc., Anixter International Inc., the Halliburton Company and i2 Technologies Inc. He is also a member of the Advisory Council of American International Group, Inc. and of the Federal Aviation Administration Management Advisory Committee. 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 director and the Non-Executive Chairman of the Board of Canadian Imperial Bank of Commerce. He also serves on the boards of Allstream Inc., Dofasco Inc., MDS Inc. and The Relizon Company (private equity). Mr. Etherington has been a director of Celestica since October 2001. He is the former Senior Vice President and Group Executive, Sales and Distribution, IBM and Chairman, President and Chief Executive Officer of IBM World Trade Corporation. After joining IBM Canada in 1964, Mr. Etherington ran successively larger portions of the company's business in Canada, Latin America, Europe and from the corporate office in Armonk, New York. He retired from IBM after a 37-year career. Mr. Etherington holds a Bachelor of Science degree in Electrical Engineering and a Doctor of Laws (Hon.) from the University of Western Ontario.

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

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

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

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

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

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.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information concerning the direct and beneficial ownership of our shares at May 1, 2004 by: (i) each person known to us to own beneficially, directly or indirectly, 5% or more of the subordinate voting shares or the multiple voting shares; (ii) each director who holds shares, the Chief Executive Officer and each of the four other most highly compensated executive officers; and (iii) all of our directors and executive officers as a group. 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", subordinate voting shares are referred to as "SVS", and our Liquid Yield Option Notes due 2020 are referred to as "LYONs."

Name of Beneficial Owner[(1)]	Voting Shares		Percentage of Class	Percentage of all Equity Shares	Percentage of Voting Power
Onex Corporation[(2)(3)]	39,065,950	MVS	100.0%	17.5%	84.1%
	3,139,920	SVS	1.7%	1.4%	*
Gerald W. Schwartz[(2)(4)]	39,065,950	MVS	100.0%	17.5%	84.1%
	3,328,664	SVS	1.8%	1.5%	*
FMR Corp.[(5)(6)]	21,923,981	SVS	11.9%	9.8%	1.9%
Robert L. Crandall[(7)]	132,500	SVS	*	*	*
	15,130	LYONs[(8)]	*	*	*
William E. Etherington[(9)]	23,750	SVS	*	*	*
Richard S. Love[(10)]	116,520	SVS	*	*	*
Anthony R. Melman[(2)(11)]	450,000	SVS	*	*	*
Charles W. Szuluk[(12)]	5,000	SVS	*	*	*
Don Tapscott[(13)]	111,250	SVS	*	*	*
Stephen W. Delaney	117,901	SVS	*	*	*
J. Marvin MaGee	382,382	SVS	*	*	*
Anthony P. Puppi	382,138	SVS	*	*	*
John Boucher	62,251	SVS	*	*	*
Neo Kia Quek	427,250	SVS	*	*	*
All directors and executive officers as a group (19 persons, including above)[(14)]	39,065,950	MVS	100.0%	17.5%	84.1%
	6,095,075	SVS	3.3%	2.7%	*
Total percentage of all equity shares and total percentage of voting power				20.2%	84.6%

* Less than 1%.

(1) As used in this table, "beneficial ownership" means sole or shared power to vote or direct the voting of the security, or the sole or shared investment power with respect to a security (*i.e.*, the power to dispose, or direct a disposition, of a security). A person is deemed at any date to have "beneficial ownership" of any security that such person has a right to acquire within 60 days of such date. Certain shares subject to options granted pursuant to management investment plans of Onex are included as owned beneficially by named individuals, although the exercise of these options is subject to Onex meeting certain financial targets. More than one person may be deemed to have beneficial ownership of the same securities.

(2) 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, 1,252,416 subordinate voting shares held in trust for Celestica Employee Nominee Corporation as agent for and on behalf of certain executives and employees of Celestica pursuant to certain of Celestica's employee share purchase and option plans, 33,755 subordinate voting shares representing an undivided interest of approximately 10.2% in 330,872 subordinate voting shares, and 225,376 subordinate voting shares directly or indirectly held by certain officers of Onex which Onex has the right to vote. Of these shares, 9,214,320 subordinate voting shares may be delivered, at the issuer's option, upon the exercise or redemption, or at maturity or acceleration, of exchangeable debentures due 2025 issued by certain subsidiaries of Onex and 1,757,467 subordinate voting shares may be delivered, at the option of 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 of the debenture or, in the case of an equity forward agreement, Onex does not elect to satisfy its obligations in cash rather than delivering subordinate voting shares, if the issuer or Onex, as the case may be, does not hold a sufficient number of

S-65

subordinate voting shares to satisfy its obligations, the requisite number of multiple voting shares held by such person will immediately be converted into subordinate voting shares, which will be delivered to satisfy such obligations.

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.

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.

The shares Onex owns and the shares Onex has the right to vote represent in the aggregate 84% of the voting power of all Celestica shares. If the issuer of the exchangeable debentures or the party to the equity forward agreements, 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 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 May 1, 2004, represent in the aggregate 79% of the voting interest in our company.

(4) Includes 188,744 subordinate voting shares owned by a company controlled by Mr. Schwartz and all of the shares of Celestica beneficially owned by Onex, or in respect of which Onex exercises control or direction, of which 1,077,500 subordinate voting shares are subject to options granted to Mr. Schwartz pursuant to certain management incentive plans of Onex. Mr. Schwartz is a director of Celestica and the Chairman of the Board, President and Chief Executive Officer of Onex, and 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 the Celestica shares owned by Onex.

(5) The address of this shareholder is: 82 Devonshire Street, Boston, Massachusetts 02109.

(6) FMR Corp. only recently became a beneficial owner of 5% or more of our subordinate voting shares. This information reflects share ownership as of May 7, 2004 and is taken from a news release and early warning report delivered to us by FMR Corp.

(7) Includes 112,500 subordinate voting shares subject to exercisable options.

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

(9) Includes 13,750 subordinate voting shares subject to exercisable options.

(10) Includes 111,250 subordinate voting shares subject to exercisable options.

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

(12) Represents 5,000 subordinate voting shares subject to exercisable options.

(13) Represents 111,250 subordinate voting shares subject to exercisable options.

(14) Includes 190,200 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 337,016 subordinate voting shares which are subject to options.

RELATED PARTY TRANSACTIONS

Interest of Management in Certain Transactions

We and Onex are parties to an Amended and Restated Management Services Agreement, dated July 1, 2003, under which Onex has agreed to provide certain strategic planning, financial and support services to us of such nature as we 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. We have agreed to pay Onex certain fees under the agreement including a base fee and a performance incentive fee, if any. The base fee is equal to approximately $500,000 per year, increasing on January 1, 2005 to $1,000,000 per year. The incentive fee payable in any year is tied to company performance. The agreement also provides that if we use 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 our Board of Directors with fees typically paid for financial advice in such circumstances to investment bankers or other expert advisors at arm's-length to us. The agreement terminates on December 31, 2008, subject to automatic termination 30 days after the first day upon which Onex ceases to hold at least one multiple voting share. In the event of a change of control of Celestica, Onex is entitled to receive an amount equal to the difference between $10,000,000 and the aggregate amount of base fees and incentive fees paid to Onex during the term of the agreement, and no further base or incentive fees are payable thereafter. During 2003, we paid to Onex management-related fees of approximately $1.4 million. The payment obligations under the agreement are not considered to be material to either us or Onex.

Indebtedness of Directors and Senior Officers

As at May 1, 2004, we had guaranteed approximately $4.1 million in aggregate indebtedness of certain of our officers and employees incurred in connection with the purchase of subordinate voting shares. The security for each of the guaranteed amounts is the purchased subordinate voting shares. The following table sets forth details of such guarantees by Celestica of indebtedness of our directors and officers.

Indebtedness of Senior Officers under Securities Purchase Programs(1)

Name and Principal Position	Largest amount outstanding during 2003(1)	Amount outstanding as at May 1, 2004(1)
J. Marvin MᵃGee President	$ 187,426	$ 187,426
R. Thomas Tropea Vice Chair, Worldwide Marketing and Business Development	$ 491,382	$ 491,382
Rahul Suri Senior Vice President, Corporate Development	$ 1,357,186(2)	$ 1,373,471(2)

(1) All amounts shown are converted into U.S. dollars from Canadian dollars at an exchange rate of U.S.$1.00 = C$1.3228.

(2) The amounts outstanding for Mr. Suri as at May 1, 2004 include accrued interest which is owed to us pursuant to an agreement entered into with Mr. Suri in 2000.

No securities were purchased by any director or officer during 2003 with our financial assistance. No director, officer or employee was indebted to us other than in connection with securities purchase programs during the year ended December 31, 2003.

DESCRIPTION OF CERTAIN INDEBTEDNESS

$600.0 Million Revolving Term Credit Facility

On June 4, 2004, we entered into an agreement governing our new senior credit facility. Our new senior credit facility amended our 364-day revolving credit facility and replaced our four-year term credit facility.

General

Our new senior credit facility provides for a revolving credit facility of up to $600.0 million, which may be increased to up to $750.0 million if certain conditions are satisfied. The facility has a maturity date of June 4, 2007. Borrowings under the facility may be made in Canadian or U.S. dollars in the form of Canadian prime rate advances, bankers' acceptances, U.S. base rate advances, LIBOR advances or swing line advances (up to a maximum of $25.0 million). The facility also is available to support up to $50.0 million in letters of credit at our option in U.S. dollars, Canadian dollars, pounds sterling or Euros. Borrowed amounts repaid under the facility may be reborrowed up to the amount available from time to time thereunder.

Interest Rates, Fees and Prepayments

Advances under our new senior credit facility (other than under the letters of credit) bear interest at Canadian prime rate, bankers' acceptance rate, U.S. base rate or LIBOR, plus, in each instance, an applicable margin determined based on our debt ratings provided by Moody's Investors Service or Standard & Poor's Ratings Service, or any successor to their respective rating agency businesses. The applicable margin for U.S. base rate advances, Canadian prime rate advances and swing line advances ranges from nil to 0.60% per annum, while the applicable margin for LIBOR advances and bankers' acceptance advances generally ranges from 0.75% to 1.60% per annum. An issuing fee equal to 0.1% of the face amount of the letter of credit is payable on the issuance of a letter of credit, as well as a quarterly fee ranging from 0.75% to 1.60% per annum (determined based on our debt ratings) of the undrawn portion of the face amount of the letter of credit. The lenders under the facility are paid a facility fee ranging from 0.125% to 0.40% per annum (determined based on our debt ratings) on the aggregate amount of commitments available thereunder, a utilization fee of 0.25% per annum on the aggregate principal amount of all outstanding advances thereunder for each day during the relevant period on which the aggregate principal amount of all outstanding advances exceeds 33.333% of the aggregate commitments thereunder and an upfront fee generally equal to (a) 0.01% on the aggregate amount of commitments less than or equal to $60.0 million and (b) 0.625% on the aggregate amount of commitments greater than $60.0 million available thereunder.

Prepayments may be made, in whole or in part at our option, under the Canadian prime rate advances, bankers' acceptances, U.S. base rate advances, LIBOR advances, letters of credit or swing line advances subject to the giving of notice and the payment of any applicable breakage costs (only in the case of LIBOR advances) without any penalty or bonus.

Guarantees

Our obligations under our new senior credit facility are guaranteed by our "material restricted subsidiaries" which are our designated subsidiaries and each other restricted subsidiary whose assets total greater than $150.0 million on an unconsolidated basis. "Restricted Subsidiaries" are all our subsidiaries that we do not designate as "Unrestricted Subsidiaries" under the agreement. Notwithstanding the foregoing, if the unconsolidated assets of all Restricted Subsidiaries which are not material restricted subsidiaries exceeds, in the aggregate, 10% of the unconsolidated assets of the borrowers and the Restricted Subsidiaries, we must designate additional Restricted Subsidiaries as material restricted subsidiaries so that the unconsolidated assets of all Restricted Subsidiaries which are not material restricted subsidiaries does not exceed the 10% threshold. The agreement also requires that the facility be guaranteed by any future material restricted subsidiaries.

Covenants

The agreement governing our new senior credit facility contains restrictive covenants that, among other things and except as otherwise permitted thereunder, limit our ability to:

- engage in business other than the businesses of conducting a broad range of electronics manufacturing services, a full range of supply chain management services, design services, design, production, distribution and sale of reference design and power products and any incidental businesses conducted by acquired businesses engaged in any one or more of the foregoing businesses;
- create or permit liens;
- dispose of assets;
- merge or amalgamate or consolidate with another person; or
- enter into transactions with identified related parties other than on an arm's length basis.

The agreement also requires that we satisfy certain financial covenants and tests on a consolidated basis which, among other things, require that we:

- maintain a ratio of EBITDA to interest expense (in each case, as defined in the agreement and calculated on a rolling four quarter basis) of at least 3.5:1.0;
- not permit our ratio of gross funded debt to EBITDA (in each case, as defined in the agreement and calculated on a rolling four quarter basis) to exceed 4.00:1.0 for the fiscal quarter ended June 30, 2004, 3.75:1.0 for the fiscal quarter ended September 30, 2004, 3.50:1.0 for the fiscal quarter ended December 31, 2004 and 3.25:1.0 for any fiscal quarter thereafter; and
- maintain in cash or cash equivalents an amount equal to the lesser of (a) the aggregate net proceeds of any public offering or private placement of securities evidencing indebtedness, and (b) the aggregate principal amount of the then outstanding LYONs issued by us, which shall be reduced by the amount of any payments made by us to repurchase outstanding LYONs, during the period ending on the earlier of (i) August 2, 2005, and (ii) the date on which no LYONs issued by us prior to the date hereof remain outstanding.

Events of Default

The events of default under the agreement governing our new senior credit facility include the following:

- a failure to pay principal when due;
- a failure to pay interest for a period of three days after its due date or to pay any fee or other obligations for a period of five days after its due date;

a breach of a representation or warranty in any material respect;

a breach of any covenant or condition that is not cured within 30 days after receipt of notice of the breach;

a default in the payment when due whether by acceleration or otherwise, of any debt (other than under the facility) of Celestica or any of our restricted subsidiaries aggregating $50.0 million or more;

various events relating to the bankruptcy or insolvency of Celestica or any of our restricted subsidiaries;

one or more final judgments or orders shall be rendered against Celestica or any of our restricted subsidiaries in the amount of $25.0 million or more and shall not have been discharged and either an enforcement proceeding shall have been commenced by any creditor upon such judgment or order or there shall have been a period of 30 consecutive days during which a stay of enforcement of such judgment or order by reason of a pending appeal or otherwise was not in effect;

Onex ceases to control Celestica (unless Celestica becomes widely-held, as defined in the agreement); and

a declaration, order or proposal for the winding-up of any pension plan which could reasonably be expected to have a material adverse effect.

The foregoing summary describes certain provisions of the agreement governing our new senior credit facility. The foregoing summary does not purport to be complete and is subject to and is qualified in its entirety by reference to the agreement.

Liquid Yield Option Notes Due 2020

As at June 1, 2004, we had $1,154.7 million aggregate principal amount at maturity of Liquid Yield Option Notes due 2020 (Zero Coupon Subordinated) outstanding. An aggregate of $1,813.6 million principal amount at maturity of LYONs were originally issued pursuant to an indenture dated August 1, 2000 between us and The Chase Manhattan Bank (now JPMorgan Chase Bank), as trustee, at an issue price of $475.66 per LYON (47.566% of the principal amount at maturity) for proceeds of $862.9 million. During 2002 and 2003 and through May 1, 2004, we repurchased in the open market LYONs having an aggregate principal amount at maturity of $658.8 million, for an aggregate repurchase price of $323.8 million. We have pre-approval to repurchase additional LYONs from time to time, at management's discretion. See "Management's Discussion and Analysis of Financial Condition and Results of Operation Liquidity and Capital Resources."

The LYONs are subordinated in right of payment to all of our existing and future senior indebtedness, and any other senior subordinated indebtedness of the Company, including the notes we are issuing in this offering. The LYONs would be subordinated in right of payment to prior payment in full of all senior indebtedness upon any payment or distribution of our assets to creditors upon any dissolution, winding-up, liquidation, reorganization, assignment for the benefit of creditors, marshaling of assets, whether voluntary or involuntary, or any bankruptcy, insolvency or similar proceeding. In the event of any acceleration of the LYONs because of an event of default, the holders of any outstanding senior indebtedness would be entitled to payment in full before the holders of the LYONs would be entitled to receive any payment or distribution, other than payments solely in subordinate voting shares. In addition, we are not permitted to make any payment on the LYONs, other than the payment solely in subordinate voting shares, if:

a default in payment of senior indebtedness designated in the indenture governing the LYONs, or designated senior indebtedness, including the notes we are issuing in this offering, occurs or is continuing beyond any applicable grace period; or

a non-payment default occurs and is continuing that permits holders of designated senior indebtedness to accelerate its maturity and the trustee under the indenture governing the LYONs receives a notice of the default from us or any other person permitted to give such notice under the indenture (subject to certain exceptions).

We will not pay interest on the LYONs prior to maturity conversion or repurchase. Instead, on August 1, 2020, the maturity date of the LYONs, a holder will receive $1,000 per LYON. The issue price of each LYON represents a yield to maturity of 3.75% per year (computed on a semi-annual bond-equivalent basis) calculated from August 1, 2000.

Holders may convert their LYONs at any time prior to the maturity date, unless the LYONs have previously been redeemed or repurchased, into 5.6748 subordinate voting shares per LYON. The conversion rate may be adjusted for certain reasons, but will not be adjusted for accrued original issue discount.

Holders may require us to repurchase all or a portion of their LYONs on August 2, 2005, at a price of $572.82 per LYON, on August 1, 2010 at a price of $689.68 per LYON, and on August 1, 2015 at a price of $830.47 per LYON. We may choose to pay the repurchase price in cash or subordinate voting shares or a combination of cash and subordinate voting shares.

If we undergo a change in control or a delisting event (in each case as defined in the indenture) on or before August 1, 2005, we will be required to make an offer to repurchase all of the LYONs at a price equal to the issue price of the LYONs plus accrued original discount to the date of repurchase. We may choose to pay the repurchase price upon a change in control in cash or subordinate voting shares or a combination of cash and subordinate voting shares, except in certain events. We will pay the purchase price upon a delisting event in cash.

We may redeem all or a portion of the LYONs for cash at any time on or after August 1, 2005 at certain specified redemption prices. We may also redeem the LYONs, in whole but not in part, at any time in the event of certain changes in Canadian tax laws, at certain specified redemption prices.

The indenture provides for customary events of default including the following:

- a default in payment of the principal amount at maturity, issue price, original issue discount, provisional redemption price, redemption price, repurchase price, change in control or delisting event repurchase price or additional amounts;

- a breach of any agreement in the LYONs or the indenture that is not cured within 60 days after receipt of notice of the breach;

- a failure to make any payment at the end of any applicable grace period after maturity of, or the acceleration of, indebtedness for borrowed money or evidenced by bonds, debentures, notes or similar instruments in an amount in excess of $100.0 million that is not cured within 30 days after receipt of notice of the failure or acceleration; and

- events involving the bankruptcy, insolvency or reorganization of us or our significant subsidiaries.

The foregoing summary describes certain provisions of the indenture pursuant to which the LYONs were issued and the terms of the LYONs. The foregoing summary does not purport to be complete and is subject to and is qualified in its entirety by reference to the indenture.

DESCRIPTION OF THE NOTES

You can find the definitions of certain terms used in this description under the subheading "Certain Definitions." In this description, the word "Company" refers only to Celestica Inc., and not to any of its subsidiaries.

The Company will issue the notes (the "Notes") under an indenture to be dated as of June 16, 2004 (the "Base Indenture"), between the Company and JPMorgan Chase Bank (formerly, The Chase Manhattan Bank), as trustee (the "Trustee"), as supplemented by the First Supplemental Indenture, to be dated as of June 16, 2004, between the Company and the Trustee (the "Supplemental Indenture" and, together with the Base Indenture, the "Indenture"). The Indenture complies with the Trust Indenture Act of 1939 (the "Trust Indenture Act"). The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act.

The Company urges you to read the Indenture because it, and not this description, defines your rights as a holder of the Notes. A copy of the form of Base Indenture has been filed as an exhibit to the Registration Statement of which this Prospectus Supplement forms a part. A copy of the First Supplemental Indenture is available upon request as set forth under "Where You Can Find More Information."

Principal, Maturity and Interest

The Company is issuing US$500.0 million aggregate principal amount of Notes in this offering and may, subject to compliance with the limitations described under " Certain Covenants Limitation on Debt and Preferred Stock," issue an unlimited principal amount of additional Notes at later dates under the same Indenture (the "Additional Notes"). The Company can issue the Additional Notes as part of the same series or as an additional series. Any Additional Notes that the Company issues in the future will be substantially identical in all respects to the Notes that the Company is issuing now, except that Additional Notes issued in the future will have different issuance dates and may have different issuance prices. The Company will issue Notes only in fully registered form without coupons, in denominations of US$1,000 and integral multiples of US$1,000.

The Notes will mature on July 1, 2011.

Interest on the Notes will accrue at a rate of $7^{7}/_{8}$% per annum and will be payable semi-annually in arrears on January 1 and July 1 of each year, commencing on January 1, 2005. The Company will pay interest to those persons who were holders of record on the December 15 or June 15 immediately preceding each interest payment date.

Interest on the Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Subordination

The Notes will be:

- senior subordinated, unsecured obligations of the Company;
- subordinated in right of payment to all existing and future Senior Debt of the Company and effectively subordinated in right of payment to indebtedness and other liabilities of the Company's subsidiaries;
- equal in right of payment ("*pari passu*") with all future Senior Subordinated Debt of the Company; and
- senior in right of payment to all existing and future Subordinated Obligations of the Company.

The payment of principal of, premium, if any, interest on, and all other amounts payable in respect of, the Notes will be subordinated in right of payment to the payment when due in cash of all Senior Debt of the Company. As a result of this subordination, holders of Senior Debt will be entitled, in any of the

following situations, to receive full payment in cash on all obligations owed to them before any kind of payment (other than in certain events, payment in Permitted Junior Securities) can be made to holders of the Notes:

- liquidation, dissolution or winding-up of the Company;
- bankruptcy, reorganization, insolvency, receivership or similar proceedings of or with respect to the Company or its Property;
- an assignment for the benefit of the Company's creditors; or
- any marshaling of the Company's assets and liabilities.

As of March 31, 2004, after giving effect to the offering of the Notes and execution of the Credit Agreement, the Company would have had no Senior Debt, US$661.6 million of unused commitments made by lenders under the Credit Agreement and other Senior Debt, and US$500.0 million of Senior Subordinated Debt, consisting of the Notes.

The Notes are obligations exclusively of the Company. All of the operations of the Company are conducted through subsidiaries. Therefore, the Company's ability to service its debt, including the Notes, is dependent upon the earnings of its subsidiaries and their ability to distribute those earnings as dividends, loans or other distributions or payments to the Company. Although the Indenture contains certain limitations on restricting Subsidiaries from making dividend and other payments to the Company, the Indenture does not prohibit further restrictions of that nature. As a result, Subsidiaries may incur Debt that contains financial maintenance and other covenants that, if not satisfied, may restrict such Subsidiaries from making dividend and other payments to the Company. Provisions of law, such as those requiring that dividends be paid only out of surplus and laws limiting the ability of a subsidiary to render "financial assistance" to its parent, by way of loan or otherwise, will also limit the ability of our subsidiaries to make distributions, loans or other payments to the Company.

In addition, the Company only has a stockholder's claim on the assets of its subsidiaries. This stockholder's claim is junior to the claims that creditors of the Company's subsidiaries have against those subsidiaries. Holders of the Notes will only be creditors of the Company and not of its subsidiaries. As a result, all the existing and future liabilities of the Company's subsidiaries, including any claims under Guarantees of Unregistered Senior Debt and any claims of trade creditors and preferred stockholders of such subsidiaries, will effectively rank senior to the Notes.

The external liabilities of the Company's subsidiaries, after giving effect to the offering of the Notes and execution of the Credit Agreement, as of March 31, 2004, excluding unused commitments made by lenders, would have been approximately US$1.9 billion. The Company's subsidiaries have other liabilities, including Guarantees of the Company's obligations under the Credit Agreement and other contingent liabilities, that may be significant. Although the Indenture contains limitations on the amount of additional Debt that the Company and the Restricted Subsidiaries may Incur, the amount of such Debt could be substantial. In addition, such Debt may be Debt of subsidiaries, in which case such Debt would be effectively senior in right of payment to amounts owing in respect of the Notes. See "   Certain Covenants   Limitation on Debt and Preferred Stock."

The Notes are unsecured obligations of the Company. Secured Debt of the Company will be effectively senior to the Notes to the extent of the value of the assets securing such Debt, as well as by virtue of its ranking in the case of secured Debt that constitutes Senior Debt. As of March 31, 2004, after giving effect to the offering of the Notes and execution of the Credit Agreement, the Company would have had no secured Debt.

The Company may not pay principal of, or premium, if any, interest on, or any other amounts payable in respect of, the Notes (other than a payment in Permitted Junior Securities), or make any deposit in respect of the Notes pursuant to the provisions described under " Defeasance" or " Satisfaction and Discharge," and may not repurchase, redeem or otherwise retire any Notes (collectively, "pay the Notes"), if:

(a) any principal, premium, interest or any other amount payable in respect of any Senior Debt is not paid within any applicable grace period (including at maturity), or

(b) any other default on Senior Debt occurs and is continuing and the maturity of such Senior Debt is accelerated in accordance with its terms, unless, in either case,

(1) the failure to pay or default has been cured or waived and any such acceleration has been rescinded, or

(2) such Senior Debt has been paid in full in cash;

provided, however, that the Company may pay amounts owing under or in respect of the Notes without regard to the foregoing if the Company and the Trustee receive written notice approving such payment from the Representative(s) of the relevant Senior Debt.

During the continuance of any default (other than a default described in clause (a) or (b) above) with respect to any Designated Senior Debt pursuant to which the maturity thereof may be accelerated immediately without further notice (except any notice required to effect the acceleration) or upon the expiration of any applicable grace period, the Company may not pay any amounts outstanding under or in respect of the Notes for a period (a "Payment Blockage Period") commencing upon the receipt by the Company and the Trustee of written notice of such default from the Representative of the holders of such Designated Senior Debt specifying an election to effect a Payment Blockage Period (a "Payment Blockage Notice") and ending 179 days thereafter, unless such Payment Blockage Period is earlier terminated by written notice to the Trustee and the Company from the Representative that gave such Payment Blockage Notice:

(a) because such default is no longer continuing, or

(b) because such Designated Senior Debt has been repaid in full in cash.

Unless the holders of such Designated Senior Debt or the Representative of such holders have accelerated the maturity of such Designated Senior Debt and not rescinded such acceleration, the Company may (unless otherwise prohibited as described in the first sentence of this paragraph) resume payments on the Notes after the end of such Payment Blockage Period.

Not more than one Payment Blockage Notice with respect to all issues of Designated Senior Debt may be given in any consecutive 360-day period, irrespective of the number of defaults with respect to one or more issues of Designated Senior Debt during such period.

Upon any payment or distribution of the assets of the Company upon a total or partial liquidation, dissolution or winding up of the Company or in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Company or its Property or upon an assignment for the benefit of creditors or marshaling of assets and liabilities:

(a) the holders of Senior Debt will be entitled to receive payment in full in cash of the principal of, interest on and all other amounts payable in respect of Senior Debt before the holders of the Notes are entitled to receive any payment of principal of, or interest on, or any other amount payable to holders in respect of the Notes, except that holders of Notes may receive and retain Permitted Junior Securities; and

(b) until all principal of, interest on and other amounts payable in respect of the Senior Debt is paid in full in cash, any distribution to which holders of the Notes would be entitled but for the subordination provisions of the Indenture will be made to holders of the Senior Debt, except that the holders of Notes may receive Permitted Junior Securities. If a payment or distribution is made to holders of Notes or the Trustee for the benefit of the holders of Notes that, due to the subordination provisions, should not have been made to them, such holders or the Trustee will be required to hold it in trust for the holders of Senior Debt and pay it over to them as their interests may appear.

If payment of the Notes is accelerated in accordance with their terms while any Designated Senior Debt is outstanding, the Company may not pay any amounts owing under or in respect of the Notes until three business days after the Representatives of all issues of Designated Senior Debt receive notice of such acceleration and, thereafter, the Company may pay amounts owing under or in respect of the Notes only if the Indenture otherwise permits payment at that time.

Because of the Indenture's subordination provisions, holders of Senior Debt of the Company and holders of other Debt of the Company that otherwise ranks *pari passu* with the Notes who have not subordinated their claims to the claims of holders of Senior Debt may recover disproportionately more than the holders of the Notes recover in a bankruptcy or similar proceeding relating to the Company. In such a case, there may be insufficient assets, or no assets, remaining to pay the principal of or interest on the Notes.

Payment from the money or the proceeds of U.S. Government Obligations held in any defeasance trust pursuant to the provisions described under " Defeasance" and " Satisfaction and Discharge" will not be subject to the subordination provisions described above.

See "Risk Factors We conduct substantially all of our operations through our subsidiaries, which may affect our ability to make payments on the notes", " Our indebtedness could impair our financial condition and prevent us from fulfilling our obligations under the notes" and "Description of Certain Indebtedness."

Optional Redemption

Starting on July 1, 2008, the Company may redeem all or any portion of the Notes, at once or over time, after giving the required notice under the Indenture. The Notes may be redeemed at the redemption prices set forth below, plus accrued and unpaid interest, to but excluding the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date). The following prices are for Notes redeemed during the 12-month period commencing on July 1 of the years set forth below, and are expressed as percentages of principal amount:

Year	Redemption Price
2008	103.938%
2009	101.969%
2010 and thereafter	100.000%

In addition, at any time and from time to time prior to July 1, 2008, the Company may elect to redeem all or any portion of the Notes, after giving the notice required under the Indenture, at a redemption price equal to the greater of:

(a) 100% of the principal amount of Notes to be redeemed, and

(b) the sum of the present values of (1) the redemption price of the Notes to be redeemed at July 1, 2008 (as set forth in the prior paragraph) of the Notes to be redeemed, and (2) the remaining scheduled payments of interest from the redemption date to July 1, 2008, but excluding accrued and unpaid interest to the redemption date, discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points,

plus, in either case, accrued and unpaid interest to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

In addition, at any time and from time to time, prior to July 1, 2007, the Company may redeem up to 35% of the aggregate principal amount of the Notes (including any Additional Notes) then outstanding with the net cash proceeds of one or more Public Equity Offerings, at a redemption price equal to 107.875% of the principal amount, plus accrued and unpaid interest to but excluding the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided*, *however*, that after giving effect to any such redemption, at least 65% of the aggregate principal amount of the Notes (including any Additional Notes) remains outstanding. Any such redemption shall be made within 90 days of the closing of such Public Equity Offering and upon not less than 30 nor more than 60 days' prior notice.

Selection and Notice

If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed, or, if the Notes are not listed on any national securities exchange, on a pro rata basis; *provided*, that no Notes of US$1,000 or less may be redeemed in part.

Notices of redemption will be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture. Notices of redemption may not be conditional.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Note that is to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the holder of Notes upon cancellation of the original Note. All amounts owing under or in respect of Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on the principal amounts of Notes called for redemption.

Redemption for Tax Reasons

The Company may, at its option, at any time redeem in whole but not in part the outstanding Notes at a redemption price of 100% of the principal amount thereof plus accrued and unpaid interest (if any) to but excluding the date of redemption if it has become or would become obligated to pay on the next date on which any amount would be payable under or in respect of the Notes any Additional Amounts (as defined below) in respect of the Notes as a result of:

(a) any change in or amendment to the laws (or regulations promulgated thereunder) of Canada (or any political subdivision or taxing authority thereof or therein), or

(b) any change in or amendment to any official position regarding the application or interpretation of such laws or regulations,

in either case, which change or amendment is announced or is effective on or after the Issue Date (unless announced prior to the Issue Date).

It shall be a condition to the Company's right to redeem the Notes pursuant to the provisions set forth in the immediately preceding paragraph that, prior to giving any notice of redemption of the Notes, the Company shall have delivered to the Trustee:

(a) an Officers' Certificate stating that the obligation to pay such Additional Amounts cannot be avoided by the Company taking reasonable measures available to it; and

(b) an Opinion of Counsel that the Company has or will become obligated to pay, on the next date on which any amount would be payable with respect to the Notes, Additional Amounts in respect of the Notes as a result of an amendment or change of the type described in the immediately preceding paragraph, which opinion, in the case of an announced amendment or change, may assume that the announced amendment or change will become effective as of the date specified in such announcement and in the form announced and, where the change or amendment is one described in (b) above, may assume such official position accurately reflects the relevant law.

See "   Additional Amounts." Notices of redemption will be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of Notes at its registered address.

Additional Amounts

The Indenture provides that payments made by the Company under or with respect to the Notes will be made free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, interest, assessment or other governmental charge (including penalties, interest and other liabilities related thereto) imposed or levied by or on behalf of the Government of Canada or of any province or territory thereof or by any authority or agency therein or thereof having power to tax ("Taxes"), unless the Company is required to withhold or deduct Taxes under Canadian law or by the interpretation or administration thereof by the relevant taxing authority. If, after the Issue Date, the Company is so required to withhold or deduct any amount for or on account of Taxes from any payment made under or with respect to the Notes, the Company will pay to each holder of Notes that are outstanding on the date of the required payment or to the Trustee (as paying agent with respect to the Notes), such additional amounts ("Additional Amounts") as may be necessary so that the net amount (including the Additional Amounts) received by such holders of Notes or the Trustee, as the case may be, after such withholding or deduction will not be less than the amount such holders or the Trustee, as the case may be, would have received if such Taxes had not been withheld or deducted and similar payments (the term "Additional Amounts" shall also include any such similar payments) will also be made by the Company to holders of Notes or the Trustee, as the case may be, that are not subject to withholding but are required to pay tax directly on amounts otherwise not subject to withholding; *provided* that no Additional Amounts will be payable with respect to a payment made to a holder of the Notes in respect of the beneficial owner thereof (an "Excluded Holder"):

(a) with which the Company does not deal at arm's length (within the meaning of the Income Tax Act (Canada)) at the time of making such payment,

(b) which is subject to such Taxes by reason of its being connected with Canada or any province or territory thereof otherwise than by the mere holding of the Notes, receipt of payments thereunder or enforcement of its rights in respect thereof,

(c) to the extent that such holder is subject to such Taxes by reason of the holder's failure to comply with any certification, identification, documentation or other reporting requirements if compliance is required by law, regulation, administrative practice or an applicable treaty as a precondition to exemption from, or a reduction in the rate of deduction or withholding of, such Taxes but only to the extent that such holder is legally able to comply with such requirements,

(d) in circumstances where presentation of the Notes for payment is required, if the Notes are presented for payment more than 15 days after the date on which such payment became due and payable or the date on which such payment is duly provided for, whichever is later (except to the extent that the holder would have been entitled to such Additional Amounts had the Notes been presented on the last day of such 15-day period), or

(e) that is a fiduciary, a partnership or a person other than the beneficial owner of any payment on a Note, if and to the extent that, as a result of an applicable tax treaty, no Additional Amounts would have been payable had the applicable beneficiary, partner or beneficial owner owned the Notes directly (but only if there is no material cost or expense associated with transferring such Notes to such beneficiary, partner or beneficial owner and no restriction on such transfer that it outside the control of such beneficiary, partner or beneficial owner).

The Company will also:

(a) make such withholding or deduction, and

(b) remit the full amount deducted or withheld to the relevant authority in accordance with applicable law.

The Company will furnish to the Trustee, or cause to be furnished to the Trustee, promptly after the payment of any Taxes becomes due pursuant to applicable law, copies of tax receipts evidencing such payment by the Company in such form as is provided in the normal course by the taxing authority imposing such Taxes and which is reasonably available to the Company.

The Company will indemnify and hold harmless each holder of Notes that are outstanding on the date of the required payment (other than an Excluded Holder) and upon written request reimburse each such holder for the amount of:

(a) any Taxes so levied or imposed and paid by such holder as a result of payments made under or with respect to the Notes,

(b) any expenses arising therefrom or with respect thereto, and

(c) any Taxes imposed with respect to any reimbursement under clause (a) above.

If the Company becomes obligated to pay Additional Amounts with respect to any payment under or in respect of the Notes, at least 30 days prior to the date on which such payment becomes due and payable (unless such obligations arise after such date), the Company will deliver to the Trustee an Officers' Certificate stating the fact that such Additional Amounts will be payable, and setting forth the amounts so payable, including Additional Amounts, and such other information as is necessary to enable the Trustee to pay such Additional Amounts to the holders of the Notes on the payment date. Whenever in the Indenture there is mentioned, in any context:

(a) the payment of principal (and premium, if any),

(b) purchase prices in connection with a repurchase or redemption of Notes,

(c) interest, or

(d) any other amount payable on or with respect to any of the Notes (including in connection with a Change of Control Offer or Prepayment Offer),

such mention shall be deemed to include mention of the payment of Additional Amounts provided for in this section to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Indenture will provide that the covenant described under " Additional Amounts" shall survive any termination, defeasance, covenant defeasance or discharge of the Indenture and shall survive the repayment of all or any of the Notes.

Sinking Fund

There will be no mandatory sinking fund payments for the Notes.

Repurchase at the Option of Holders Upon a Change of Control Offer

Upon the occurrence of a Change of Control, the Company shall be required to make an offer to each holder of Notes to repurchase all (or, at the option of the holder, any portion) of the Notes (equal to US$1,000 or an integral multiple thereof) pursuant to the offer described below (the "Change of Control Offer") at a purchase price (the "Change of Control Purchase Price") equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the repurchase date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Within 30 days following any Change of Control, the Company shall:

(a) cause a notice of the Change of Control Offer to be sent at least once to the Dow Jones News Service or similar business news service in the United States; and

(b) send, by first-class mail, with a copy to the Trustee, to each holder of Notes, at such holder's address appearing in the Security Register, a notice stating:

(1) that a Change of Control has occurred and a Change of Control Offer is being made pursuant to the covenant entitled "Repurchase at the Option of Holders Upon a Change of Control Offer" and that all Notes timely tendered will be accepted for payment;

(2) the Change of Control Purchase Price and the repurchase date, which shall be, subject to any contrary requirements of applicable law, a business day no earlier than 30 days nor later than 60 days from the date such notice is mailed;

(3) the circumstances and relevant facts regarding the Change of Control; and

(4) the procedures that holders of Notes must follow in order to tender their Notes (or portions thereof) for purchase, and the procedures that holders of Notes must follow in order to withdraw an election to tender Notes (or portions thereof) for purchase.

The Company will not be required to make a Change of Control Offer following a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

The Company will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other applicable securities laws or regulations in connection with the repurchase of Notes pursuant to a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this covenant, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this covenant by virtue of such compliance.

Management has no present intention to engage in a transaction involving a Change of Control. Subject to certain covenants described below, the Company could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control under the Indenture, but that could increase the amount of indebtedness outstanding at such time or otherwise affect the Company's capital structure or credit ratings.

The definition of Change of Control includes a phrase relating to the sale, transfer, assignment, lease, conveyance or other disposition of "all or substantially all" the Property of the Company and the Restricted Subsidiaries, considered as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, if the Company and the Restricted Subsidiaries, considered as a whole, dispose of less than all this Property by any of the means described above, the ability of a holder of Notes to require the Company to repurchase its Notes may be uncertain. In such a case, holders of the Notes may not be able to resolve this uncertainty without resorting to legal action.

The Credit Agreement will provide that the occurrence of certain of the events that would constitute a Change of Control would constitute a default under the Credit Agreement. Future credit agreements or other agreements relating to debt of the Company may contain provisions that restrict the Company from purchasing Notes prior to their maturity. In the event any such restrictions would prevent the Company from repurchasing Notes upon a Change of Control, the Company could seek the consent of its lenders to the repurchase or could attempt to refinance the indebtedness that is governed by such restrictions. If the Company does not obtain such consents or refinance such indebtedness, it will remain prohibited from repurchasing the Notes. In addition, the extent other debt of the Company, such as Debt under the Credit Agreement, both is subject to similar repurchase obligations in the event of a Change of Control and ranks senior in right of payment to the Notes, all available funds will first be expended for the repurchase of such indebtedness. Moreover, the Company's repurchase of Notes pursuant to a Change of Control Offer could cause a default under existing or future debt of the Company, even if the Change of Control itself does not cause such a default, due to the financial effect of such repurchase on the Company. Finally, the Company's ability to pay cash to holders of Notes upon a repurchase may be limited by the Company's then existing financial resources. The Company cannot assure you that sufficient funds will be available when necessary to make any required repurchases or that any such repurchase will otherwise be allowed. The Company's failure to make a Change of Control Offer or to repurchase Notes tendered in connection with a Change of Control Offer would result in a Default under the Indenture. Such a Default would, in turn, constitute a default under existing Debt of the Company and may constitute a default under future indebtedness as well. If such Debt constitutes Designated Senior Debt, the subordination provisions in the Indenture would likely restrict payment to holders of Notes. The Company's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified at any time prior to the occurrence of such Change of Control with the written consent of the holders of at least a majority in aggregate principal amount of the Notes. See " Amendments and Waivers."

Certain Covenants

Covenant Termination. The following restrictive covenants will be applicable to the Company and the Restricted Subsidiaries unless the Company reaches Investment Grade Status. After the Company has reached Investment Grade Status, and notwithstanding that the Company may later cease to have an Investment Grade Rating from either or both of the Rating Agencies, the Company and the Restricted Subsidiaries will be released automatically and without any action on the part of the Company from their obligations to comply with the restrictive covenants described below, except for those described under the following headings:

" Limitation on Liens,"

" Limitation on Layered Debt," and

" Designation of Restricted and Unrestricted Subsidiaries" (other than clause (x) of the third paragraph (and such clause (x) as referred to in the first paragraph thereunder)).

The Company will, upon reaching Investment Grade Status, remain obligated to comply with the provisions described under " Merger, Consolidation and Sale of Property" (other than clause (d) of the first paragraph thereunder) and under " Repurchase at the Option of Holders upon a Change of Control Offer."

Limitation on Debt and Preferred Stock. The Company shall not, and shall not permit any Restricted Subsidiary to, Incur, directly or indirectly, any Debt, and the Company shall not permit any Restricted Subsidiary to issue any Preferred Stock; *provided, however*, that the Company and its Restricted Subsidiaries may Incur Debt and the Restricted Subsidiaries may issue Preferred Stock if either:

(1) after giving effect to the Incurrence of such Debt or issuance of such Preferred Stock and the application of the proceeds thereof, the Consolidated Fixed Charge Coverage Ratio would be at least 2.0 to 1.0, or

(2) such Debt or Preferred Stock is Permitted Debt.

The term "Permitted Debt" is defined to include the following:

(a) Debt of the Company evidenced by the Notes issued in this offering;

(b) Debt of the Company or a Restricted Subsidiary under Credit Facilities, *provided* that the aggregate principal amount of all such Debt under Credit Facilities at any one time outstanding shall not exceed the greater of US$1,250.0 million and the Borrowing Base as at the most recently ended fiscal quarter for which audited or unaudited consolidated financial statements of the Company are available, which amount shall be permanently reduced by the amount of Net Available Cash used to Repay Debt under Credit Facilities and not subsequently reinvested in Additional Assets or used to purchase Notes or Repay other Debt, pursuant to the covenant described under " Limitation on Asset Sales";

(c) Debt of the Company or a Restricted Subsidiary under a Receivables Program in an aggregate amount at any one time outstanding not to exceed, together with the amounts outstanding under clause (b) above, the greater of US$1,250.0 million and the Borrowing Base as at the most recently ended fiscal quarter for which audited or unaudited consolidated financial statements of the Company are available;

(d) Debt of the Company or a Restricted Subsidiary in respect of Capital Lease Obligations and Purchase Money Debt, *provided* that:

(1) the aggregate principal amount of such Debt does not exceed the Fair Market Value (on the date of the Incurrence thereof) of the Property acquired, constructed or leased, and

(2) the aggregate principal amount of all Debt Incurred and then outstanding pursuant to this clause (d) (together with all Permitted Refinancing Debt Incurred and then outstanding in respect of Debt previously Incurred pursuant to this clause (d)) does not exceed 10% of Total Assets;

(e) Debt of the Company owing to and held by any Wholly Owned Restricted Subsidiary, Debt of a Restricted Subsidiary owing to and held by the Company or any Wholly Owned Restricted Subsidiary and Preferred Stock of a Restricted Subsidiary issued to and held by the Company or any Wholly Owned Restricted Subsidiary; *provided*, *however*, that any subsequent issue or transfer of Capital Stock or other event that results in any such Wholly Owned Restricted Subsidiary ceasing to be a Wholly Owned Restricted Subsidiary or any subsequent transfer of any such Debt or Preferred Stock (except to the Company or a Wholly Owned Restricted Subsidiary) shall be deemed, in each case, to constitute the Incurrence of such Debt by the issuer thereof;

(f) Acquired Indebtedness;

(g) Debt under Interest Rate Agreements entered into by the Company or a Restricted Subsidiary for the purpose of managing interest rate risk in the ordinary course of the financial management of the Company or such Restricted Subsidiary and not for speculative purposes, *provided* that the obligations under such agreements are directly related to payment obligations on Debt otherwise permitted by the terms of this covenant;

(h) Debt under Currency Exchange Protection Agreements entered into by the Company or a Restricted Subsidiary for the purpose of managing currency exchange rate risks in the ordinary course of business and not for speculative purposes;

(i) Guarantees by the Company or any Restricted S