CELESTICA INC
Form 20-F
March 07, 2016

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

FORM 20-F

o Registration statement pursuant to Section 12(b) or (g)
of the Securities Exchange Act of 1934
or
ý Annual report pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2015
or
o Transition report pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the transition period from __________ to __________

or
o Shell company report pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of event requiring this shell company report: __________

Commission file number: 1-14832

CELESTICA INC.

(Exact name of registrant as specified in its charter)

Ontario, Canada

(Jurisdiction of incorporation or organization)

844 Don Mills Road
Toronto, Ontario, Canada M3C 1V7

(Address of principal executive offices)

Jim Fitzpatrick
416-448-2211
clsir@celestica.com
844 Don Mills Road
Toronto, Ontario, Canada M3C 1V7

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

Title of each class:	*Name of each exchange on which registered:*
Subordinate Voting Shares	The Toronto Stock Exchange New York Stock Exchange

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

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

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

124,524,300 Subordinate Voting Shares 0 Preference Shares
18,946,368 Multiple Voting Shares
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No o

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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

ý Large accelerated filer o Accelerated filer o Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the statements included in this filing:

U.S. GAAP o International Financial Reporting Standards as issued by the International Accounting Standards Board ý Other o

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.
Item 17 o Item 18 o

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

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Part I.

In this Annual Report on Form 20-F for the year ended December 31, 2015 (referred to herein as "this Annual Report"), "Celestica", the "Corporation", "we", "us" and "our" refer to Celestica Inc. and its subsidiaries.

In this Annual Report, all dollar amounts are expressed in United States dollars, except where we state otherwise. All references to "U.S.$" or "$" are to U.S. dollars and all references to "C$" are to Canadian dollars. Unless we indicate otherwise, any reference in this Annual Report to a conversion between U.S.$ and C$ is a conversion at the average of the exchange rates in effect for the year ended December 31, 2015. During that period, based on the relevant noon buying rates in New York City for cable transfers in Canadian dollars, as certified for customs purposes by the Board of Governors of the Federal Reserve Bank, the average daily exchange rate was U.S.$1.00 = C$1.2791.

Unless we indicate otherwise, all information in this Annual Report is stated as of February 10, 2016.

Forward-Looking Statements

Item 4, "Information on the Company", Item 5, "Operating and Financial Review and Prospects" and other sections of this Annual Report contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the U.S. Securities Act, Section 21E of the Securities Exchange Act of 1934, as amended, or the U.S. Exchange Act, and forward-looking information within the meaning of applicable Canadian securities laws (collectively, "forward-looking statements"), including, without limitation, statements related to: our future growth; trends in the electronics manufacturing services ("EMS") industry; our anticipated financial or operational results; the impact of acquisitions and program wins or losses on our financial results and working capital requirements; anticipated expenses, restructuring actions and charges, capital expenditures and/or benefits; our expected tax and litigation outcomes; our cash flows, financial targets and priorities; changes in our mix of revenue by end market; our ability to diversify and grow our customer base and develop new capabilities; the effect of the global economic environment on customer demand; the possibility of future impairments of property, plant and equipment, goodwill or intangible assets; the expected timing of ramping our solar programs in Asia, and the timing and extent of the expected recovery of cash advances made to a particular solar cell supplier; the impact of the Term Loan (as defined herein) on our liquidity, future operations and financial condition; the timing and terms of the sale of our real property in Toronto and related transactions, including the expected lease of our corporate head office (collectively, the "Toronto Real Property Transactions"); if the Toronto Real Property Transactions are completed, our ability to secure on commercially acceptable terms an alternate site for our existing Toronto manufacturing operations, and the transition costs for such expected relocation; and the number of subordinate voting shares and price thereof we may repurchase under our recently announced Normal Course Issuer Bid ("NCIB"). Such forward-looking statements may, without limitation, be preceded by, followed by, or include words such as "believes", "expects", "anticipates", "estimates", "intends", "plans", "continues", "project", "potential", "possible", "contemplate", "seek", or similar expressions, or may employ such future or conditional verbs as "may", "might", "will", "could", "should" or "would", or may otherwise be indicated as forward-looking statements by grammatical construction, phrasing or context. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the U.S. Private Securities Litigation Reform Act of 1995, and applicable Canadian securities laws.

Forward-looking statements are provided for the purpose of assisting readers in understanding management's current expectations and plans relating to the future. Readers are cautioned that such information may not be appropriate for other purposes. Forward-looking statements are not guarantees of future performance and are subject to risks that could cause actual results to differ materially from conclusions, forecasts or projections expressed in such forward-looking statements, including, as is described in more detail in Item 3(D), "Key Information Risk Factors", and elsewhere in this Annual Report, risks related to:

- our customers' ability to compete and succeed in the marketplace with the services we provide and the products we manufacture;
- price and other competitive factors generally affecting the EMS industry;
- managing our operations and our working capital performance during uncertain market and economic conditions;

responding to changes in demand, rapidly evolving and changing technologies, and changes in our customers' business and outsourcing strategies, including the insourcing of programs;

customer concentration and the challenges of diversifying our customer base and replacing revenue from completed or lost programs or customer disengagements;

changing commodity, material and component costs as well as labor costs and conditions;

disruptions to our operations, or those of our customers, component suppliers or logistics partners, including as a result of global or local events outside our control, including natural disasters, epidemics, extreme weather conditions, political instability, labor or social unrest, criminal activity and other risks present in the jurisdictions in which we operate;

retaining or expanding our business due to execution issues relating to the ramping of new and existing programs or new offerings;

the incurrence of future impairment charges;

recruiting or retaining skilled personnel and transitions associated with our new CEO;

current or future litigation and/or governmental actions;

successfully resolving commercial and operational challenges, and improving financial results in our semiconductor and solar businesses;

delays in the delivery and availability of components, services and materials, including from new suppliers upon which we are dependent for certain components;

non-performance by counterparties;

our financial exposure to foreign currency volatility;

our dependence on industries affected by rapid technological change;

variability of revenue and operating results;

managing our global operations and supply chain;

increasing income taxes, tax audits, and challenges of defending our tax positions, and obtaining, renewing or meeting the conditions of tax incentives and credits;

- completing restructuring actions, including achieving the anticipated benefits therefrom, and integrating any acquisitions;
- defects or deficiencies in our products, services or designs;
- computer viruses, malware, hacking attempts or outages that may disrupt our operations;
- any failure to adequately protect our intellectual property or the intellectual property of others;
- compliance with applicable laws, regulations and social responsibility initiatives;
- our having sufficient financial resources and working capital following consummation of the Term Loan to fund currently anticipated financial obligations and to pursue desirable business opportunities;
- the potential that conditions to closing the Toronto Real Property Transactions may not be satisfied on a timely basis or at all; and
- if the Toronto Real Property Transactions are completed, our ability to secure on commercially acceptable terms an alternate site for our existing Toronto manufacturing operations, and the costs, timing and/or execution of such relocation proving to be other than anticipated.

These and other material risks and uncertainties are discussed in our public filings at www.sedar.com and www.sec.gov, including in this Annual Report, subsequent reports on Form 6-K furnished to the U.S. Securities and Exchange Commission, and our Annual Information Form filed with the Canadian Securities Administrators.

Our forward-looking statements are based on various assumptions, many of which involve factors that are beyond our control. Our material assumptions include those related to:

- production schedules from our customers, which generally range from 30 days to 90 days and can fluctuate significantly in terms of volume and mix of products or services;
- the timing and execution of, and investments associated with, ramping new business;
- the success in the marketplace of our customers' products;
- the stability of general economic and market conditions, currency exchange rates and interest rates;
- our pricing, the competitive environment and contract terms and conditions;
- supplier performance, pricing and terms;
- compliance by third parties with their contractual obligations, the accuracy of their representations and warranties, and the performance of their covenants;
- the costs and availability of components, materials, services, plant and capital equipment, labor, energy and transportation;
- operational and financial matters, including the extent, timing and costs of replacing revenue from completed or lost programs, or customer disengagements;
- technological developments;
- overall demand improvement in the semiconductor industry, and revenue growth and improved financial results in our semiconductor and solar businesses;
- the timing, execution and effect of restructuring actions;
- our having sufficient financial resources and working capital following consummation of the Term Loan to fund currently anticipated financial obligations and to pursue desirable business opportunities; and
- our ability to diversify our customer base, and develop new capabilities.

Our assumptions and estimates are based on management's current views with respect to current plans and events, and are and will be subject to the risks and uncertainties discussed above and elsewhere in this Annual Report. While management believes these assumptions to be reasonable under current circumstances, they may prove to be inaccurate.

Forward-looking statements speak only as of the date on which they are made, and 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, except as required by applicable law. You should read this Annual Report, and the documents, if any, that we incorporate herein by reference, with the understanding that our actual future results may be materially different from what we expect. All forward-looking statements attributable to us are expressly qualified by the cautionary statements contained in this Annual Report.

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

You should read the following selected financial data together with Item 5, "Operating and Financial Review and Prospects", the Consolidated Financial Statements in Item 18 and the other information in this Annual Report. The selected financial data presented below is derived from our Consolidated Financial

Statements, which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). See Item 18.

The consolidated financial information in the following three tables was prepared in accordance with IFRS. No dividends have been declared by the Corporation.

	Year ended December 31				
	2011	2012	2013	2014	2015
	(in millions, except per share amounts)				
Consolidated Statements of Operations Data[1]:					
Revenue	$ 7,213.0	$ 6,507.2	$ 5,796.1	$ 5,631.3	$ 5,639.2
Cost of Sales[1]	6,724.4	6,068.8	5,406.6	5,225.9	5,248.1
Gross profit[1]	488.6	438.4	389.5	405.4	391.1
Selling, general and administrative expenses (SG&A), including research and development[2]	267.2	252.2	239.7	230.0	230.7
Amortization of intangible assets	13.5	11.3	12.2	10.6	9.2
Other charges[3]	6.5	59.5	4.0	37.1	35.8
Earnings from operations[1]	201.4	115.4	133.6	127.7	115.4
Finance costs[4]	5.4	3.5	2.9	3.1	6.3
Earnings before income taxes[1]	196.0	111.9	130.7	124.6	109.1
Income tax expense (recovery)	3.7	(5.8)	12.7	16.4	42.2
Net earnings[1]	$ 192.3	$ 117.7	$ 118.0	$ 108.2	$ 66.9
Other Financial Data:					
Basic earnings per share	$ 0.89	$ 0.56	$ 0.64	$ 0.61	$ 0.43
Diluted earnings per share	$ 0.88	$ 0.56	$ 0.64	$ 0.60	$ 0.42
Property, plant and equipment and computer software cash expenditures	$ 62.3	$ 105.9	$ 52.8	$ 61.3	$ 62.8
Shares used in computing per share amounts (in millions):					
Basic	216.3	208.6	183.4	178.4	155.8
Diluted	218.3	210.5	185.4	180.4	157.9

	As at December 31				
	2011	2012	2013	2014	2015
	(in millions)				
Consolidated Balance Sheet Data[1]:					
Cash and cash equivalents	$ 658.9	$ 550.5	$ 544.3	$ 565.0	$ 545.3
Working capital[5]	1,116.0	911.8	1,011.3	1,049.9	990.6
Property, plant and equipment	322.7	337.0	313.6	312.4	314.6
Total assets	2,969.6	2,658.8	2,638.9	2,583.6	2,612.0
Borrowings under credit facility[6]		55.0			262.5
Capital stock	3,348.0	2,774.7	2,712.0	2,609.5	2,093.9
Total equity[1]	1,470.5	1,322.7	1,402.0	1,394.9	1,091.0

(1) Changes in accounting policies:

Effective January 1, 2014, we adopted IFRIC Interpretation 21, Levies, which clarified when the liability for certain levies should be recognized and required retroactive adoption, and IAS 32, Financial Instruments Presentation (revised), which clarified the requirements for offsetting financial assets and liabilities. The adoption of these standards did not have a material impact on our Consolidated Financial Statements.

Effective January 1, 2013, we adopted the amendment issued by the IASB to IAS 19, Employee Benefits, which required a retroactive restatement of prior periods related to unrecognized past service credits that we had been amortizing to operations on a straight-line basis over the vesting period. Upon retroactive adoption of this amendment, we recognized these past service credits on our balance sheet and decreased our post-employment benefit obligations and our deficit. Our net earnings for 2011 also decreased to reflect the reversal of past service credits that we retroactively recorded directly to deficit as of December 31, 2010 and the changes in the calculation of the interest component of pension expense. The impact on our net earnings for 2012 was not significant. The impact of adopting the amendment was as follows:

	As at December 31,	
	2011	2012
	(in millions)	
	increase (decrease)	
Post-employment benefit obligations	$ (6.7)	$ (6.0)
Deficit*	$ (6.7)	$ (6.0)

	Year ended December 31,	
	2011	2012
	(in millions)	
	increase (decrease)	
Cost of sales	$ 2.8	$
Net Earnings	$ (2.8)	$

* Under this amendment, we continue to recognize actuarial gains or losses on plan assets or obligations in other comprehensive income and to reclassify the amounts to deficit. Our actuarial gains on pension and non-pension post-employment benefit plans for 2011 increased by $1.9 million and our actuarial losses for 2012 increased by $0.7 million.

(2) SG&A expenses include research and development costs of $23.2 million in 2015, $19.7 million in 2014, $17.4 million in 2013, $15.2 million in 2012, and $13.8 million in 2011.

(3) Other charges in 2011 totaled $6.5 million, comprised primarily of: (a) $14.5 million in restructuring charges offset, in part, by (b) a $6.5 million reversal of provisions.

Other charges in 2012 totaled $59.5 million, comprised primarily of: (a) a $44.0 million restructuring charge and (b) a non-cash impairment of $17.7 million relating to our annual impairment assessment, primarily against goodwill.

Other charges in 2013 totaled $4.0 million, comprised primarily of: (a) $28.0 million in restructuring charges offset, in part, by (b) a $24.0 million recovery of damages from the settlement of class action lawsuits in which we were a plaintiff.

Other charges in 2014 totaled $37.1 million, comprised primarily of: (a) a non-cash impairment of $40.8 million against the goodwill of our semiconductor business resulting from our annual impairment assessment; and (b) a non-cash settlement loss of $6.4 million relating to a certain pension plan, offset, in part, by: (i) an $8.0 million recovery of damages resulting from the settlement of class action lawsuits in which we were a plaintiff; and (ii) a $2.1 million net reversal of restructuring charges.

Other charges in 2015 totaled $35.8 million, comprised primarily of: (a) $23.9 million in restructuring charges, and (b) an aggregate non-cash impairment of $12.2 million against the property, plant and equipment of our CGUs in Japan and Spain (recorded in the fourth quarter of 2015). See note 15 to the Consolidated Financial Statements in Item 18.

(4) Finance costs are comprised primarily of interest expenses and fees related to our credit facility (including our Term Loan commencing in 2015) and our accounts receivable sales program. See note 11 to the Consolidated Financial Statements in Item 18.

(5) Calculated as current assets less current liabilities.

(6) Borrowings under our credit facility do not include our finance lease obligations.

Exchange Rate Information

The rate of exchange as of February 10, 2016 for the conversion of Canadian dollars into United States dollars was U.S.$0.7159 and for the conversion of United States dollars into Canadian dollars was C$1.3969. The following table sets forth the exchange rates for the conversion of U.S.$1.00 into Canadian dollars for the identified 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 Board of Governors of the Federal Reserve's website (http://www.federalreserve.gov).

	2011	**2012**	**2013**	**2014**	**2015**
Average	0.9887	0.9995	1.0300	1.1043	1.2791

	February 2016 (through February 10th)	January 2016	December 2015	November 2015	October 2015	September 2015
High	1.4039	1.4592	1.3989	1.3360	1.3242	1.3414
Low	1.3724	1.3970	1.3357	1.3093	1.2901	1.3146

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Any of the following risk factors, or any combination of them, could have a material adverse effect on our business, financial condition, and operating results. Our shareholders and prospective investors should carefully consider each of the following risks and all of the other information set forth in this Annual Report.

We are dependent on a limited number of customers and end markets. We are also dependent on our customers' ability to compete and succeed in the marketplace with the services we provide and the products we manufacture.

Our customers include original equipment manufacturers ("OEMs") and service providers. We depend upon a small number of customers for a significant portion of our revenue. During 2015, three customers (2014 three customers; 2013 two customers) individually represented more than 10% of our total revenue, and our top 10 customers represented 67% (each of 2014 and 2013 65%) of our total revenue. We are also dependent upon revenue from our traditional end markets (Communications, Servers and Storage), which represented 68% of our consolidated revenue in 2015 (2014 67%; 2013 69%). These end markets are characterized by rapid shifts in technology, commoditization of certain products, the emergence of new business models and shifting patterns of demand, such as cloud-based environments and the proliferation of software-defined storage, and increased competition.

The mix of our customers and the types of products or services we provide to these customers will have an impact on our operating results from period-to-period. To reduce our reliance on any one customer or end market, we continue to target new customers and services, including expanding business in our Diversified end market (which is comprised of aerospace and defense, industrial, healthcare, energy, and semiconductor equipment), and exploring acquisition opportunities. We are also focused on expanding revenue in our higher value-added services, such as design and development, engineering, supply chain management and after-market services, and have de-emphasized our lower margin business, including our consumer portfolio.

Although revenue from our diversified end market has increased in recent years, our operating results in this end market have been negatively impacted by the costs associated with ramping new business. In particular, our operating results have been adversely affected by challenges related to our semiconductor and solar businesses, which have incurred and may continue to incur losses in future periods (and are expected to continue with respect to our solar business through the first quarter of 2016). As part of our solar expansion, we have invested in infrastructure and equipment, and have entered into an agreement with a solar cell supplier, to which we have made significant cash advances. Certain countries provide subsidies and economic incentives to end users, distributors, system integrators and manufacturers of solar power products to promote greater use of solar power, because the cost of generating electricity from solar power generally exceeds the costs of generating electricity from conventional or non-solar renewable energy sources. Certain of these government subsidies and economic incentives have been reduced or eliminated in some countries, and may continue to be reduced in these or other countries or be eliminated altogether. Furthermore, a decrease in the price of other energy products could reduce demand for solar energy and may reduce the urgency of the market to invest in alternative energy. A significant reduction in the demand for solar energy, or the scope or discontinuation of government incentive programs, could cause demand for our solar products and revenues to decline. As a result, there can be no assurance that our solar expansion will be successful.

Notwithstanding these expansion efforts, we are still dependent on our traditional end markets for a significant portion of our revenue, which are subject to the various factors described above and continue to experience slower growth rates and increased pricing pressures. Failure to secure business from existing or new customers in our traditional or other end markets would adversely impact our operating results.

There can be no assurance that our efforts to secure new customers and services in our traditional and new markets, including the impact of acquisitions, will succeed in reducing our customer concentration. Acquisitions are also subject to integration risk, and revenues and margins could be lower than we anticipate.

Our operating results are highly dependent upon our customers' ability to compete and succeed in the marketplace with the products we manufacture. Certain of our customers have experienced, and may in the future experience, severe revenue erosion, pricing and margin pressures, and excess inventories that, in turn, have adversely affected (and in the future may adversely affect) our operating results.

There can be no assurance that present or future customers will not terminate their manufacturing or service arrangements with us, or that they will not significantly change, reduce or delay the volume of manufacturing or other services they order from us, any of which would adversely affect our operating results. Customers may also shift business to our competitors, in-source programs, or adjust the concentration of their supplier base. A decline in revenue from any significant customer or the loss of any significant customer could have a material adverse effect on our financial condition and operating results. We cannot assure the replacement of completed, delayed, cancelled or reduced orders with new business. In addition, the ramping of new programs may take from several months to more than a year before production starts and may require significant up-front investments and increased working capital requirements. During this start-up period, these programs may generate losses or may not achieve the expected financial performance due to production ramp inefficiencies, lower than expected volume, or delays in ramping to volume. Our customers may significantly change these programs, or even cancel them altogether, due to changes in end-market demand or changes in the actual or anticipated success of their products in the marketplace. See "*Our revenue and operating results may vary significantly from period to period*".

All of the foregoing may adversely affect our margins, cash flow, and our ability to grow our revenue, and may increase the variability of our operating results from period to period.

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

We operate in a highly competitive industry. Our competitors include Benchmark Electronics, Inc., Flextronics International Ltd., Hon Hai Precision Industry Co., Ltd., Jabil Circuit, Inc., Plexus Corp., and Sanmina Corporation, as well as smaller EMS companies that often have a regional, product, service or industry-specific focus, and original design manufacturers ("ODMs"). In recent years, we have expanded our joint design and manufacturing ("JDM") offering, which encompasses advanced technology design solutions that customers can tailor to their specific platform applications. We may face increased competition from ODMs, who also specialize in providing internally designed products and manufacturing services, as well as component and sub-system suppliers, distributors and/or systems integrators. We also face indirect competition from the manufacturing operations of our current and prospective customers, as these companies may choose to manufacture products internally rather than outsource to EMS providers, or they may choose to insource previously outsourced business, particularly where internal excess capacity exists.

The competitive environment in our industry is very intense and aggressive pricing is a common business dynamic. Some of our competitors have greater scale and a broader range of services than we offer. While we continue to increase our capacity in lower-cost regions to reduce our costs, these regions may not provide the same operational benefits that they have in the past due to rising costs and a continued aggressive pricing environment. Additionally, our current or potential competitors may: increase or shift their presence in new lower-cost regions to try to offset continuous competitive pressure and increasing labor costs or to secure new business; develop or acquire services comparable or superior to those we develop; combine or merge to form larger competitors; or adapt more quickly than we may to new technologies, evolving industry trends and changing customer requirements. Some of our competitors have increased their vertical capabilities by manufacturing modules or components used in the products they assemble, such as metal or plastic parts and enclosures, backplanes, circuit boards, cabling and related products. This expanded capability may provide them with a competitive advantage and greater cost savings and may lead to more aggressive pricing for electronics manufacturing services. Competition may cause pricing pressures, reduced profits or a loss of market share (for example, from program losses or customer disengagements). We may not be able to compete successfully against our current and future competitors.

We continue to operate in an uncertain global economic environment.

The global economy continues to be uncertain and may continue to negatively impact end market demand and our operations. Some key indicators of sustainable economic growth remain under pressure. Ongoing concerns over the sustainability of the economic recovery in the US, credit and sovereign debt concerns in certain European countries, the low price of crude oil across the globe and related implications for potential global deflation, as well as concerns over slowed economic growth in China and other international markets, have contributed to economic uncertainty, disruptions in the financial credit markets, volatile currency exchange rates and energy costs, concerns about inflation, slower economic activity, decreased consumer confidence, reduced corporate profits and capital spending, adverse business conditions and liquidity concerns. We have invested significant resources in China and other Asian countries, and may fail to realize the anticipated benefits associated with such investments, which would adversely impact our financial results. It is uncertain how long these effects will last, or whether economic and financial trends will worsen or improve. In addition, uncertain global economies and currencies have adversely impacted, and may continue to unpredictably impact, our operating results, including as a result of fluctuations in currency exchange rates. See "*We are exposed to translation and transaction risks associated with foreign currency exchange rate fluctuations; hedging instruments may not be effective in mitigating such risks*". Financial market instability may also result in a lower return on our financial investments, and a lower value on some of our assets. Alternately, inflation may lead to higher interest rates, which would increase our borrowing costs and the costs of raising capital. Uncertainty surrounding the current global economic and geo-political outlook continues to limit the overall demand visibility of our end markets and may impact future demand for some of the products we manufacture or services we provide. This environment may also impact the financial condition of our customers or suppliers, as well as the number and pace of customer consolidation.

A deterioration in the economic environment may accelerate the effect of the various risk factors described in this Annual Report and could result in other unforeseen events that may adversely impact our business and financial condition.

Our customers may be negatively affected by rapid technological changes, shifts in business strategy and/or the emergence of new business models.

Many of our customers compete in markets that are characterized by rapidly changing technology, evolving industry standards, continuous improvements in products and services, commoditization of certain products, changes in preferences by end customers or other changes in demand, and the emergence of competitors with new business models that deemphasize the traditional OEM distribution channels. These conditions frequently result in shorter product lifecycles and may lead to shifts in our customers' business strategy. Our success will depend on the success achieved by our customers in developing, marketing and selling their products. If technologies or standards supported by our customers' products and services or their business models become obsolete, fail to gain widespread acceptance or are cancelled, our business could be adversely affected.

For example, declines in end-market demand for customer-specific proprietary systems in favor of open systems with standardized technologies could have an adverse impact on our business. Other examples include the shift from traditional network infrastructures to highly virtualized and cloud-based environments, the prevalence of solid state memory as a replacement for hard disk drives, as well as the proliferation of software-defined networks and software-defined storage, any or all of which could adversely impact our business. The highly competitive nature of our customers' products and services could also drive further consolidation among OEMs, and result in product line consolidation that could adversely impact our customer relationships and our revenue. For example, several major customers in our communications and storage end markets have announced mergers or partnerships during 2015. Including as a result of the foregoing, certain of our customers have experienced, and may in the future experience, severe revenue erosion, pricing and margin pressures, and excess inventories that, in turn, have adversely affected (and in the future may adversely affect) our operating results.

Our operations could be adversely affected by global or local events outside our control, including natural disasters, epidemics, extreme weather conditions, political instability, terrorism, labor or social unrest, criminal activity and other risks present in the jurisdictions in which we operate.

Our operations and those of our customers, component suppliers and/or our logistics partners may be disrupted by global or local events outside our control, including: natural disasters and related disruptions; political instability; terrorism; armed conflict; labor or social unrest; criminal activity; disease or illness, epidemics and health advisories, including those related to SARS, avian flu, and Ebola, that affect local, national or international economies; unusually adverse weather conditions; and other risks present in the jurisdictions in which we, our customers, our suppliers and/or our logistics partners operate. Such events could materially adversely affect our results of operations and increase our costs. We carry insurance to cover damage to our sites and interruptions to our operations, including those that may occur as a result of natural disasters, such as flooding and earthquakes, hurricanes, tsunamis or other events. However, our insurance policies are subject to deductibles, coverage limitations and exclusions, and may not provide adequate (or any) coverage should such events occur.

Increased international political instability, including unsettled political conditions currently existing in the United States and Europe, instability in parts of the Middle East, as well as the ongoing refugee crisis, anti-immigrant activities, social unrest and fears of terrorism, enhanced national security measures, armed conflicts, security issues at the U.S./Mexico border related to illegal immigration or criminal activities associated with illegal drug activities, labor or social unrest, strained international relations and the related decline in consumer confidence arising from these and other factors may materially hinder our ability to conduct business, or may reduce demand for our products or services. Any escalation in these events or similar future events may disrupt our operations or those of our customers and suppliers and could adversely affect the availability of materials needed to manufacture our products or the means to transport those materials to manufacturing sites and finished products to customers.

We rely on a variety of common carriers for the transportation of materials and products and for their ability to route these materials and products through various international ports and other transportation hubs. A work stoppage, strike or shutdown of any important supplier's site or operations, or at any major port or airport, or the inability to access any such site for any reason, could result in manufacturing and shipping delays or expediting charges, which could have a material adverse effect on our operating results.

Such events have had and may in the future have an adverse impact on the U.S. and global economy in general, and on consumer confidence and spending, which may adversely affect our revenue and financial results. Such events could increase the volatility of the market price of our securities and may limit the capital resources available to us and our customers and suppliers.

We may encounter difficulties expanding or consolidating our operations or introducing new competencies or new offerings, which could adversely affect our operating results.

As we expand our business, open new sites, enter into new markets, products and technologies, invest in research, design and development, acquire new businesses or capabilities, transfer business from one location to another location within our network, consolidate certain operations, and/or introduce new business models or programs, we may encounter difficulties that result in higher than expected costs associated with such activities and/or customer dissatisfaction with our performance. Potential difficulties related to our growth and/or operations include our ability to: manage growth effectively, including having trained personnel to manage expanded operations, new customers, and/or new products or services; maintain existing customer, supplier, employee and other favorable business relationships during periods of transition or consolidation; anticipate disruptions in our operations that may impact our ability to deliver to customers on time, to produce quality products and to ensure overall customer satisfaction; and respond rapidly to changes in customer demand or volumes, including as a result of program completions or losses, or customer disengagements.

We may also encounter difficulties in ramping and executing new programs from existing or new customers. We may require significant investments to support these new programs, including increased working capital requirements, and may generate lower margins or losses during and/or following the ramp period. There can be no assurance that our increased investments will benefit us or result in business growth. As we pursue opportunities in new markets or technologies, we may encounter challenges due to our limited knowledge or experience. In addition, the success of new business models or programs depends on a number of factors including: understanding the new business or markets, including appropriate staffing needs; timely and successful development of products or services (by us and/or our customer); market acceptance; the effective management of purchase commitments and inventory levels in line with anticipated demand; the development or acquisition of appropriate intellectual property and capital investments, to the extent required; the availability of materials in adequate quantities and at appropriate costs to meet anticipated demand; and the risk that new offerings may have quality or other defects in the early stages of introduction. Any of these factors could prevent us from realizing the anticipated benefits of growth in new markets or technologies, which could materially adversely affect our business and operating results.

For example, we completed acquisitions in 2011 and in 2012 in order to expand our diversified end market offerings to include semiconductor capital equipment. The semiconductor market has historically been cyclical and subject to significant and often rapid shifts in product demand and technological changes. Our semiconductor business has been negatively impacted by volatility in customer demand, the cost of our investments, operational inefficiencies, commercial challenges associated with a particular customer, and the costs, terms, timing and challenges of ramping new sites and programs. The negative impact of these factors resulted in losses in 2014 as well as a reduction in the long-term cash-flow projections used for our 2014 impairment assessment of our semiconductor business, and in the fourth quarter of 2014, we recorded a non-cash impairment charge of $40.8 million against the goodwill of this business. Although we continue to make progress in addressing the inefficiencies and challenges which have affected our semiconductor business, the negative factors above, combined with demand volatility in this market, may continue to adversely impact the revenue and profitability of this business, as well as our financial position and cash flows.

In addition, to support recent new program wins in our solar business and anticipated growth in global demand for solar energy, we made investments in 2015 in our solar business to establish competitive solar energy manufacturing capabilities in Asia, including newly leased equipment, and making cash advances to an Asia-based solar cell supplier ("Solar Supplier") to help secure our solar cell supply. We also transitioned a portion of our solar operations from North America to Asia. However, the expansion of our solar business has been slower than anticipated, and we incurred higher than expected costs in this business in 2015, primarily due to ramping delays and operational inefficiencies at our new solar site in Asia, as well as challenges experienced by some of our suppliers, including the Solar Supplier, in meeting our ramp requirements. These negative factors impacted our output in 2015 and adversely affected the operating results of our solar business for the year. See Item 5, "Operating and Financial Review and Prospects Management's Discussion and Analysis of Financial Condition and Results of Operations Overview of business environment" for further discussion of the factors which have negatively impacted our semiconductor and solar businesses.

Revenue from our diversified end market represented 29% of total revenue in 2015, up from 25% of total revenue in 2013. Continued growth in our diversified end market is a key focus area for us. As with any new business expansion, however, our operating results will be negatively impacted by the costs of ramping activities. If we encounter difficulties, such as ramping delays or operational inefficiencies, we may incur higher than expected costs associated with such ramping activities. Although revenue from our diversified end market has increased in recent years, we have encountered challenges in connection with the expansion of our semiconductor and solar businesses (within our diversified end market), and have incurred related losses, which may continue in the future (and are expected to continue with respect to our solar business through the first quarter of 2016). In addition, in recent years, although we have expanded our JDM offering (to our storage customers in particular), we may face increased competition with respect to this offering in the future, from ODMs and other companies providing similar services. There can be no assurance that our expansion into new markets or new business will be successful, or that we will achieve the anticipated benefits.

Consolidation may adversely affect our business relationships or the volume of business we conduct with our customers.

Our customers, competitors and suppliers may be subject to consolidation. Increasing consolidation in industries that utilize our services may occur as companies combine to achieve economies of scale and other synergies, which could result in an increase in excess manufacturing capacity as companies seek to divest manufacturing operations or eliminate product lines (several major customers in our communications and storage end markets have announced mergers or partnerships during 2015). Excess manufacturing capacity may increase pricing and competitive pressures in our industry as a whole and for us in particular. Consolidation could also result in an increasing number of very large companies offering products in multiple industries. The significant purchasing power and market power of these large companies could increase pricing and competitive pressures for us. If one of our customers is acquired by another company that does not rely on us to provide services, has its own production services, or relies on another provider of similar services, we may lose that customer's business. Such consolidation may reduce the number of customers from which we generate a significant percentage of our revenue, and further expose us to increased risks relating to our dependence on a small number of customers. Any of the foregoing results of industry consolidation could adversely affect our business. Consolidation among our competitors may create a competitive advantage over us, which may also result in a loss of business and revenue if customers shift their production. Such consolidation may also result in pricing pressures, which could negatively impact our profit margins. Changes in OEM strategies, including the divestiture or exit from certain of their businesses, may also result in a loss of business for us.

We may encounter challenges with respect to our acquisitions and strategic transactions which could adversely affect our operating results.

We intend to expand our presence in new end markets and expand our capabilities in existing markets and technologies, some of which may occur through acquisitions. These transactions may involve acquisitions of entire companies or acquisitions of selected assets. We have also completed numerous strategic transactions with our customers, under which we have acquired inventory, equipment and other assets from certain customers; leased or acquired a manufacturing site of such customers; and simultaneously entered into multi-year manufacturing and supply agreements for the production of their products. Potential challenges related to these acquisitions and transactions include: integrating acquired operations, systems and businesses; meeting customers' expectations as to volume, product quality and timeliness; retaining customer, supplier, employee or other business relationships of acquired operations; addressing unforeseen liabilities of acquired businesses; limited experience with new technologies and markets; failure to realize anticipated benefits, such as cost savings and revenue enhancements; failure to achieve anticipated business volumes or operating margins; valuation methodologies not accurately capturing the value of the acquired business; the effects of diverting management's attention from day-to-day operations to matters involving the integration of acquired businesses; incurring potentially substantial transaction costs associated with these transactions; increased burdens on our staff and on our administrative, internal control and operating systems, which may hinder our legal and regulatory compliance activities; overpayment for an acquisition; and potential impairments resulting from post-acquisition deterioration in, or reduced benefit from, an acquired business. While we often obtain indemnification rights from the sellers of acquired businesses, such rights may be difficult to enforce, the losses may exceed any dedicated escrow funds, and the indemnitors may not have the ability to financially support the indemnity. Any of these factors may prevent us from realizing the anticipated benefits of an acquisition, including additional revenue, operational synergies and economies of scale. Any delay or failure to realize the anticipated benefits of acquisitions may adversely affect our business and operating results and may require us to write-down the carrying value of any related goodwill and intangible assets in periods subsequent to the acquisitions. For example, in 2014, we recorded a $40.8 million impairment to the goodwill of our semiconductor business (which arose from our 2011 acquisition of the semiconductor equipment contract manufacturing operations of Brooks Automation Inc. and our 2012 acquisition of D&H Manufacturing Company (D&H)). In addition, there is no assurance that we will find suitable acquisition targets, that we will be able to consummate any such transactions on terms and conditions acceptable to us, or that we will be able to fund any such acquisitions with existing cash resources. Acquisitions may also involve businesses we are not familiar with, and expose us to additional business risks that are different than those we have traditionally experienced or anticipated at the time of acquisition.

If we are unable to recruit or retain highly skilled personnel, or if we do not successfully manage the transitions associated with our new CEO, our business could be adversely affected.

The recruitment of personnel in the EMS industry is highly competitive. We believe that our future success depends, in part, on our ability to attract and retain highly skilled executive, technical and management personnel. We do not have employment or non-competition agreements with the majority of our employees. The loss of the services of certain executive, management and technical employees, individually or in the aggregate, could have a material adverse effect on our operations. In addition, in August 2015, Robert A. Mionis was appointed as our new CEO and a member of our board of directors. There can be no guarantee that the transition to a new CEO will be smooth or successful. Leadership transitions can be inherently difficult to manage and may cause uncertainty or a disruption to our business or may increase the likelihood of turnover in key officers and employees. Our new CEO could make organizational changes, including changes to our management team and may make future changes to our structure. The presence of a new CEO may impact our relationships with customers, vendors, and employees, potentially resulting in loss of business, loss of vendor relationships, and the loss of key employees or declines in the productivity of existing employees. The uncertainties associated with senior management transitions could lead to concerns from current and potential third parties with whom we do business, any of which could hurt our business prospects. Our future success may be dependent upon the continued services of our other executive officers and senior personnel. There can be no assurance that we will be able to retain their services. Turnover in key leadership positions within the Company, or any failure to successfully integrate key new hires or promoted employees, may adversely impact our ability to manage the Company efficiently and effectively, could be disruptive and distracting to management and may lead to additional departures of existing personnel, any of which could have a material adverse effect on our business, operating results, financial results and internal controls over financial reporting.

We are dependent on third parties to supply equipment and materials, and our results can be negatively affected by the availability and cost of components.

The purchase of equipment, materials and electronic components represents a significant portion of our costs. We rely on third parties to provide such items. If we are unable to find qualified equipment manufacturers or suppliers, our ability to successfully complete a program could be impaired. A delay or interruption in supply from a component supplier, especially for single-sourced components, could have a significant impact on our operations and on our customers, if we are unable to deliver finished products in a timely manner. If the amount we are required to pay for equipment and supplies exceeds what we have estimated, especially in a fixed price contract, we may suffer losses on these contracts. If a supplier or manufacturer fails to provide supplies or equipment as required under a contract for any reason, we may be required to source these items from other third parties on a delayed basis or on less favorable terms, which could impact our profitability. Additionally, quality or reliability issues at any of our component providers, or financial difficulties that affect their production and ability to supply us with components, could halt or delay production of a customer's product, or result in claims against us for failure to meet required customer specifications, which could materially adversely impact our operating results.

Supply shortages for a particular component can delay production of, and revenue from, products using that component. Shortages also may result in our carrying higher levels of inventory and extended lead-times, or result in increased component prices, which may require price increases in the products and services that we provide. Any increase in our costs that we are unable to recover in our pricing to our customers would negatively impact our margins and operating results.

At various times in our industry's history, there have been industry-wide shortages of electronic components. Shortages, or fluctuations in the cost of components, may have a material adverse effect on our business or cause our operating results to fluctuate from period-to-period. Changes in forecasted volumes or in our customers' requirements can negatively affect our ability to obtain components and adversely impact our operating results.

In addition, a failure by a supplier or manufacturer to comply with applicable laws, regulations or customer requirements could negatively impact our business, and for government customers, could result in fines, penalties, suspension or even debarment being imposed on us, which could have a material adverse impact on our business, financial condition, and results of operations.

Our results may be negatively affected by rising labor costs.

There is some uncertainty with respect to the pace of rising labor costs in various regions in which we operate. Any increase in labor costs that we are unable to recover in our pricing to our customers would negatively impact our margins and operating results.

Inherent challenges in managing unanticipated changes in customer demand may impact our planning, supply chain execution and manufacturing, and may adversely affect our operating performance and results.

Our customers use EMS providers for new product introductions and expect rapid response times to meet changes in volume requirements. Although we generally enter into master supply agreements with our customers, the level of business to be transacted under those agreements is not guaranteed. Instead, we bid on a program-by-program basis and typically receive customer purchase orders for specific quantities and timing of products. Most of our customers typically do not commit to production schedules for more than 30 days to 90 days in advance and we often experience volatility in customer orders. Additionally, a significant portion of our revenue can occur in the last month of the quarter, and purchase orders may be subject to change or cancellation, all of which affect our operating results when they occur. Accordingly, our forecasts of customer orders may be inaccurate, and may make it difficult to order appropriate levels of materials, schedule production, and maximize utilization of our manufacturing capacity and resources.

Our customers may change their forecasts, production quantities or product type requirements, or may accelerate, delay or cancel production quantities for various reasons. When customers change production volumes or request different products to be manufactured from those in their original forecast, the unavailability of components and materials for such changes could also adversely impact our revenue and working capital performance. Further, to guarantee continuity of supply for many of our customers, we are required to manufacture and warehouse specified quantities of finished goods. The uncertainty of demand in our customers' end markets, intense competition in our customers' industries and general order volume volatility may result in customers delaying or canceling the delivery of products we manufacture for them or placing purchase orders for lower volumes of products than previously anticipated.

Order cancellations, or changes or delays in production, may result in higher than expected levels of inventory, which could in turn have a material adverse impact on our operating results and working capital performance. We may not be able to return or re-sell this inventory, or we may be required to hold the inventory for a period of time, any of which may result in our having to record additional reserves for the inventory if it becomes excess or obsolete. Order cancellations and delays could lower our asset utilization, resulting in higher levels of unproductive assets, lower inventory turns, and lower margins.

Volatility in commodity prices may negatively impact our operating results.

We rely on various energy sources in our production and transportation activities. The price of commodities can be volatile. Increases in prices for energy and other commodities could result in higher raw material and component costs and transportation costs. Any increase in our costs that we are unable to recover in our pricing to our customers would negatively impact our margins and operating results.

We may experience increased financial and reputational risk due to non-performance by counterparties.

A failure by a counterparty, which includes customers, suppliers, financial institutions and other third parties with which we conduct business, to fulfill its contractual obligations may result in a financial loss to us, and may adversely affect our reputation. We provide payment terms to most of our customers generally ranging from 30 days to 90 days (although from time to time we provide significantly shorter payment terms). Our accounts receivable balance at December 31, 2015 was $681.0 million, with two customers individually representing more than 10% of our total accounts receivable. If any of our customers have insufficient liquidity, we could encounter significant delays or defaults in payments owed to us by such customers, or we may extend our payment terms, which could adversely impact our financial condition and operating results. Any extensions or delays in payments owed to us could adversely impact our short-term cash flows. We also may not be able to recover all of the amounts owed to us by a customer, including amounts to cover unused inventory or capital investments we acquired to support that customer's business. During 2015, we entered into an agreement with the Solar Supplier, which included a commitment by us to provide it with specified cash advances. We advanced $29.5 million during 2015 to the Solar Supplier, which it used to help finance the expansion of its manufacturing operations into Malaysia. Our solar business is dependent on the Solar Supplier to provide the majority of our solar cell requirements. Such advances are scheduled to be repaid through quarterly installments, which commenced in the fourth quarter of 2015 and are to continue through the end of 2017. If a key supplier experiences financial difficulties, this may affect its ability to supply us with materials or components (and in addition, in the case of the Solar Supplier, to repay the cash advances), which could halt or delay the production of a customer's product, and have a material adverse impact on our operations, financial results and customer relationships.

We are exposed to translation and transaction risks associated with foreign currency exchange rate fluctuations; hedging instruments may not be effective in mitigating such risks.

Global currency markets can be volatile. Although we conduct the majority of our business in U.S. dollars (our functional currency), our global operations subject us to translation and transaction risks associated with fluctuations in currency exchange rates that could have a material adverse impact on our operating results and/or financial condition. A significant portion of our operational costs (including payroll, pensions, site costs, costs of locally sourced supplies and inventory, and income taxes) are denominated in various currencies other than the U.S. dollar. Fluctuations in currency exchange rates may significantly increase the amount of translated U.S. dollars required for costs incurred in other currencies or significantly decrease the U.S. dollars received from non-U.S. dollar revenues. Our significant non-U.S. currency exposures include the Canadian dollar, Thai baht, Malaysian ringgit, Mexican peso, British pound sterling, Chinese renminbi, Euro, Romanian leu and Singapore dollar.

Although our functional currency is the U.S. dollar, currency risk on our income tax expense arises as we are generally required to file our tax returns in the local currency for each particular country in which we have operations. A weakening of the local currency against the U.S. dollar could have a negative impact on our income taxes payable (related to increased local-currency taxable profits) and on our deferred tax costs (primarily related to the revaluation of non-monetary foreign assets from historical average exchange rates to the period-end exchange rates). See note 19 to the Consolidated Financial Statements in Item 18. While our hedging programs are designed to mitigate currency risk vis-à-vis the U.S. dollar, we remain subject to taxable foreign exchange impacts in our translated local currency financial results relevant for tax reporting purposes.

As part of our risk management program, we enter into foreign exchange forward contracts to lock in the exchange rates for future foreign currency transactions, which is intended to reduce the variability of our operating costs and future cash flows denominated in local currencies. While these contracts are intended to reduce the effects of fluctuations in foreign currency exchange rates, our hedging strategy does not mitigate the longer-term impacts of changes to foreign exchange rates. We do not enter into these contracts for trading purposes or speculation, and our management believes all such contracts are entered into as hedges of underlying transactions. Nonetheless, these instruments involve costs and risks of their own in the form of transaction costs, credit requirements and counterparty risk. If our hedging program is not successful, or if we change our hedging activities in the future, we may experience significant unexpected expenses from fluctuations in exchange rates.

Our financial results have been adversely impacted by negative foreign currency translation effects in the past, and such adverse effects, some of which may be substantial, are likely to recur in the future.

Our ability to successfully manage unexpected changes or risks inherent in our global operations and supply chain may adversely impact our financial performance.

We have sites in the following countries: Canada, the United States, China, Ireland, Japan, Laos, Malaysia, Mexico, Romania, Singapore, Spain and Thailand. During 2015, approximately 80% of our revenue was produced at locations outside of North America. We also purchase the majority of our components and materials from international suppliers.

Global operations are subject to inherent risks which may adversely affect us, including:

- changes in local tax rates and tax incentives and the adverse tax consequences of repatriating earnings;
- labor unrest and differences in regulations and statutes governing employee relations;
- cultural differences and/or differences in local business customs;
- changes in regulatory requirements;
- inflation and rising costs;
- changes in international political relations;
- difficulty in staffing (including skilled labor availability and cost) and managing foreign operations;
- challenges in building and maintaining infrastructure to support operations;
- compliance with a variety of foreign laws, including import and export tariffs and regulations;
- adverse changes in trade policies between countries in which we maintain operations;
- changes in logistics costs;
- changes in the availability, lead time, and cost of components and materials;
- weaker laws protecting intellectual property rights and/or greater difficulty enforcing such rights;
- global economic, political and social instability;
- potential restrictions on the transfer of funds and/or other restrictive actions by foreign governments;
- the effects of terrorist activity, armed conflict and epidemics; and
- global currency fluctuations.

Any of these risks could disrupt the supply of our components or materials, slow or stop our production, and/or increase our costs. Compliance with trade and foreign tax laws may increase our costs and actual or alleged violations of such laws could result in enforcement actions or financial penalties that could result in substantial costs. In addition, the introduction or expansion of certain social programs in foreign jurisdictions would likely increase our costs, and certain supplier's costs, of doing business.

We may not keep pace with rapidly evolving technology.

We continue to evaluate the advantages and feasibility of new manufacturing processes. We believe our future success will depend, in part, upon our ability to continually develop and deliver electronic and complex mechanical manufacturing services that meet our customers' evolving needs. This may involve investing in new processes, capabilities or equipment to support new technologies used in our customers' current or future products, and to support their supply chain processes. Additionally, as we expand our service offerings, such as our JDM offering, or pursue business in new markets, where our experience may be limited, we may be less effective in adapting to technological change. Our manufacturing and supply chain processes, test development efforts and design capabilities may not be successful due to rapid technological shifts in any of these areas.

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

We may not adequately protect our intellectual property or the intellectual property of others.

We believe that certain of our proprietary intellectual property rights and information provide us with a competitive advantage. Accordingly, we take steps to protect this proprietary information, including entering into non-disclosure agreements with customers, suppliers, employees and other parties, and by implementing security measures. However, our protection measures may not be sufficient to prevent or detect the misappropriation or unauthorized use or disclosure of our property or information.

There is also a risk that claims of intellectual property infringement could be brought against us, our customers and/or our suppliers. If such claims are successful, we may be required to spend significant time and money to develop processes that do not infringe upon the rights of another 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 the litigation. As we expand our JDM and other service offerings and pursue business in new end markets, we may be less effective in anticipating or mitigating the intellectual property risks related to new manufacturing, design and other services, which could be significant.

There may be problems with the products we design or manufacture that could result in liability/warranty claims against us, which may reduce demand for our services, damage our reputation, and/or cause us to incur significant costs.

In most of our sales contracts, we provide warranties against defects or deficiencies in our products, services, or designs. The extent of the warranties varies by customer, and warranties generally range from one to three years (however, the warranty period for our JDM designs and solar panel products are generally longer). We generally design and manufacture products to our customers' specifications, many of which are highly complex, and include products for industries, such as healthcare, aerospace and defense, that tend to have higher risk profiles. The customized design solutions that form a part of our JDM offering also subject us to the risk of liability claims if defects are discovered or alleged. Despite our quality control and quality assurance efforts, problems may occur, or may be alleged, in or resulting from the design and/or manufacturing of these products. Whether or not we are responsible, problems in the products we design and/or manufacture, or in products which include components we manufacture, whether real or alleged, whether caused by faulty customer specifications, the design or manufacturing processes or a component defect, may result in increased costs to us, as well as delayed shipments to customers, and/or reduced or canceled customer orders. These potential claims may include damages for the recall of a product and/or injury to person or property, including consequential and/or punitive damages.

Even if customers or third parties, such as component suppliers, are responsible for defects, they may not, or may not be able to, assume responsibility for any such costs or required payments to us. While we seek to insure against many of these risks, insurance coverage may be inadequate, not cost effective or unavailable, either in general or for particular types of products or issues.

As we expand our service offerings (for example, our solar panel manufacturing and JDM offerings) and pursue business in new end markets, our warranty obligations may increase and we may not be successful in pricing our products to appropriately cover our warranty costs. A successful claim for damages arising from defects or deficiencies for which we are not adequately insured, and for which indemnification from a third party is not timely (or otherwise) available, could have a material adverse effect on our reputation and/or our operating results and financial condition.

We are subject to the risk of increasing income taxes, tax audits, and the challenges of successfully defending our tax positions, and obtaining, renewing or meeting the conditions of tax incentives and credits, any of which may adversely affect our financial performance.

We conduct business operations in a number of countries, including countries where tax incentives have been extended to encourage foreign investment or where income tax rates are low. Our income tax expense could increase significantly if certain tax incentives from which we benefit are retracted. A retraction could occur if we fail to satisfy the conditions on which these tax incentives are based, or if they are not renewed or replaced upon expiration. Our income tax expense could also increase if tax rates applicable to us in such jurisdictions are otherwise increased, or due to changes in legislation or administrative practices. Changes in our outlook in any particular country could impact our ability to meet the required conditions. See Item 5 "Operating and Financial Review and Prospects Management's Discussion and Analysis of Financial Condition and Results of Operations Income taxes" for a discussion of recently expired tax incentives.

We develop our tax filing positions based upon the anticipated nature and structure of our business and the tax laws, administrative practices and judicial decisions currently in effect in the jurisdictions in which we have assets or conduct business, all of which are subject to change or differing interpretations, possibly with retroactive effect.

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

We are subject to tax audits globally by various tax authorities pertaining to historical information, which could result in additional tax expense in future periods relating to prior results. Any such increase in our income tax expense and related interest and/or penalties could have a significant adverse impact on our future earnings and future cash flows. See Item 5 "Operating and Financial Review and Prospects Management's Discussion and Analysis of Financial Condition and Results of Operations Income taxes". The successful pursuit of the assertions made by any taxing authority related to pending or newly-instituted tax audits could result in our owing significant amounts of tax, interest, and possibly penalties. We believe we have substantial defenses to the asserted positions and have adequately accrued for any probable potential adverse tax impact. However, there can be no assurance as to the final resolution of these claims and any resulting proceedings. If these claims and any ensuing proceedings are determined adversely to us, the amounts we may be required to pay could be material, and could be in excess of amounts currently accrued.

As at December 31, 2015, a significant portion of our cash and cash equivalents was held by subsidiaries outside of Canada. Although substantially all of the cash and cash equivalents held outside of Canada are permitted to be repatriated, a significant portion may be subject to withholding taxes under current tax laws. We have not recognized deferred tax liabilities for cash and cash equivalents held by certain subsidiaries related to unremitted earnings that are considered indefinitely reinvested outside of Canada and that we do not intend to repatriate in the foreseeable future (approximately $405 million and $310 million of cash and cash equivalents as at December 31, 2015 and December 31, 2014, respectively).

We have incurred significant restructuring charges, impairment charges and operating losses, and may experience such charges and losses in future periods.

We have in the past, and again in recent periods, recorded charges relating to restructuring actions and the impairment of property, plant and equipment, goodwill and other intangible assets, and have incurred operating losses for certain of our businesses. These amounts have varied from period to period.

We have undertaken numerous initiatives to restructure and reduce our capacity and cost structures in response to changes in the EMS industry and in end-market demand, with the intention of improving utilization and reducing our overall cost structure. See note 15 to the Consolidated Financial Statements in Item 18. We may not be able to retain or expand existing business due to execution issues relating to significant headcount reductions, plant closures or product transfers resulting from any restructuring actions we take. We may also incur higher operating expenses during periods of transition. During 2015, we implemented certain restructuring actions as a result of a review of our overall operational efficiency and cost structure, including the consolidation of two of our semiconductor sites into a single location, and the resultant write down of certain equipment and reduction in the related workforce, as well as other headcount reductions implemented in various geographies. In connection therewith, we recorded restructuring charges of $23.9 million in 2015. Previous restructuring actions resulted in restructuring charges of $28.0 million in 2013. We perform ongoing evaluations of our operations, and expect to implement further restructuring actions in 2016. Any failure to successfully execute or realize the expected benefits from these initiatives, including any delay in implementing these initiatives, may have a material adverse impact on our operating results.

We evaluate the recoverability of the carrying amount of our goodwill, intangible assets, and property, plant and equipment on an ongoing basis, and we may incur impairment charges, which could be substantial and could adversely affect our financial results. Impairment assessments inherently involve judgment as to assumptions about expected future cash flows and the impact of market conditions on those assumptions. Future events and changing market conditions may impact our assumptions as to prices, costs, or other factors that may result in changes in our estimates of future cash flows. Factors that might reduce the recoverable amount of goodwill, intangible assets, and property, plant and equipment below their respective carrying values include declines in our stock price and market capitalization, reduced future cash flow estimates, and slower growth rates in any of our businesses. We recorded non-cash impairment charges of $12.2 million in 2015 (against the property, plant and equipment of two of our CGUs) and $40.8 million in 2014 (against the goodwill of our semiconductor business). See note 15(b) to the Consolidated Financial Statements in Item 18.

In 2014, our semiconductor business incurred higher than expected operating losses primarily as a result of lower than anticipated customer demand for the year, challenges associated with the ramping of new sites and programs, and operational inefficiencies and commercial challenges associated with a particular customer, resulting in the impairment described above. Although operating results for the semiconductor business improved in 2015 (and no further semiconductor CGU impairments were required in 2015), the negative factors described above, combined with demand volatility in this market, may result in additional operating losses and/or further impairments for this business in future periods. See Item 5, "Operating and Financial Review and Prospects Management's Discussion and Analysis of Financial Condition and Results of Operations Overview of business environment".

Our operations and our customer relationships may be adversely affected by disruptions to our information technology ("IT") systems, including disruptions from cybersecurity breaches of our IT infrastructure.

We rely on information technology networks and systems, including those of third-party service providers, to process, transmit and store electronic information. In particular, we depend on our IT infrastructure for a variety of functions, including worldwide financial reporting, inventory and other data management, procurement, invoicing and email communications. Any of these systems may be susceptible to outages due to fire, floods, power loss, telecommunications failures, terrorist attacks, sabotage and similar events. Global cybersecurity threats and incidents can range from uncoordinated individual attempts to gain unauthorized access to our IT systems to sophisticated and targeted measures known as 'advanced persistent threats'. The ever-increasing use and evolution of technology, including cloud-based computing, creates opportunities for the unintentional dissemination or intentional destruction of confidential information stored in our systems or in non-encrypted portable media or storage devices. We could also experience a business interruption, information theft of confidential data, or reputational damage from industrial espionage attacks, malware or other cyber attacks, which may compromise our system infrastructure or lead to data leakage, either internally or at our third-party providers. Despite the implementation of network security measures and disaster recovery plans, our systems and those of third parties on which we rely may also be vulnerable to computer viruses, break-ins and similar disruptions. If we or our vendors are unable (or are perceived as unable) to prevent such outages and breaches, our operations may be disrupted and our business reputation could be adversely affected.

We expect that risks and exposures related to cybersecurity attacks will remain high for the foreseeable future due to the rapidly evolving nature and sophistication of these threats.

We may not be able to prevent or detect all errors or fraud.

Due to the inherent limitations of internal control systems, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all. Accordingly, we cannot provide absolute assurance that all control issues, errors or instances of fraud, if any, within (or otherwise impacting) the Corporation have been or will be prevented or detected. In addition, over time, certain aspects of a control system may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate, which we may not be able to address quickly enough to prevent all instances of error or fraud.

We may not be able to increase revenue if outsourcing by OEMs or service providers slows.

Future growth in our revenue includes a dependence on new outsourcing opportunities in which we assume additional manufacturing and supply chain management responsibilities from OEMs or service providers. Our future growth will be limited to the extent that these opportunities are not available as a result of decisions of OEMs or service providers to perform these functions internally or delaying their decision to outsource, or if we are unable to win new contracts. Customers may also decide to insource production that they had previously outsourced to better utilize their internal capacity or for other reasons. In addition, the global economic environment, political pressures, negative sentiment by our customers' customers or local governments may impact our customers' business decisions. These and other factors could adversely affect the rate of outsourcing generally, or adversely affect the rate of outsourcing to EMS providers like Celestica.

Our revenue and operating results may vary significantly from period to period.

Our quarterly and annual results may vary significantly depending on various factors, certain of which are described below, and many of which are beyond our control.

- the volume and timing of customer demand relative to our capacity;
- the typical short life cycle of our customers' products and success in the marketplace of our customers' products;
- customers' financial conditions;
- changes to our mix of customers, programs and/or end market demand;
- varying revenues and gross margins among geographies and programs for the products or services we provide;
- pricing pressure, the competitive environment and contract terms and conditions;
- challenges associated with the ramping of programs for new or existing customers;
- unanticipated customer disengagements;
- the timing of expenditures in anticipation of future orders;
- our effectiveness in planning production and managing inventory, fixed assets and manufacturing processes;
- operational inefficiencies and disruptions in production at individual sites;
- changes in cost and availability of commodities, materials, components, services and labor;
- current or future litigation and/or governmental actions;
- currency fluctuations; and
- changes in U.S. and global economic and political conditions and world events.

Our mix of revenue by end market is also impacted by, among other factors, overall end market demand, the timing and extent of new program wins, program completions or losses, customer disengagements, or follow-on business from customers and from acquisitions. Changes to our mix of revenue by end market, and the conditions that are specific to each end market, could lead to volatility in our revenue and margins from period to period and adversely impact our financial position and cash flows.

From time to time we experience some level of seasonality in our quarterly revenue patterns across certain of the end markets we serve. As our revenue from quarter-to-quarter is dependent on various factors, including the level of demand and mix in each of our end markets, it is difficult to isolate the impact of seasonality and other external factors on our business. However, historically, revenue from our storage end market has increased in the fourth quarter of the year compared to the third quarter, and then decreased in the first quarter of the following year, reflecting the increase in customer demand we typically experience in this end market in the fourth quarter. In addition, we typically experience our lowest overall revenue levels during the first quarter of each year. There is no assurance that these patterns will continue.

Compliance with governmental laws and obligations could be costly and may negatively impact our financial performance.

We are subject to various federal/national, state/provincial, local, foreign and supra-national environmental laws and regulations. Our environmental management systems and practices have been designed to provide for compliance with these laws and regulations. Maintaining compliance with and responding to increasingly stringent regulations require a significant investment of time and resources and may restrict our ability to modify or expand our manufacturing sites or to continue production. Any failure to comply with these laws and regulations may potentially result in significant fines and penalties, our operations may be suspended or subjected to increased oversight, and our cost of related investigations could be material in any period.

More complex and stringent environmental legislation continues to be imposed, including laws that place increased responsibility and requirements on the "producers" of electronic equipment and, in turn, their providers and suppliers. Such laws may relate to product inputs (such as hazardous substances and energy consumption), product use (such as energy efficiency and waste management/recycling), and/or operational outputs/by-products from our manufacturing processes that can result in environmental contamination (such as waste water, air emissions and hazardous waste). Noncompliance with these requirements may potentially result in substantial costs, including fines and penalties, and we may incur liability to our customers and consumers.

Where compliance responsibility rests primarily with OEMs rather than with EMS companies, OEMs may turn to EMS companies like Celestica for assistance in meeting their obligations. Our customers are becoming increasingly focused on issues such as waste management (including recycling), climate change (including the reduction of carbon emissions) and product stewardship, and expect their EMS providers to be environmental leaders. We strive to meet such customer expectations, although these demands may extend beyond our regulatory obligations and require significant investments of time and resources to attract and retain customers.

We generally have obtained environmental assessment reports, or reviewed assessment reports undertaken by others, for most of our manufacturing sites at the time of acquisition or leasing. Such assessments may not reveal all environmental liabilities, and current assessments have not been obtained for all sites. In addition, some of our operations involve the use of hazardous substances that could cause environmental contamination. Although if deemed necessary, we may investigate, remediate or monitor air, soil and/or groundwater contamination at some of our owned or leased sites, we may not be aware of, or adequately address, all such conditions, and we may incur significant costs to perform such work in the future. In many jurisdictions in which we operate, environmental laws impose liability for the costs of removal, remediation or risk assessment of hazardous or toxic substances on an owner, occupier or operator of real estate, even if such person or company was unaware of or not responsible for the discharge or migration of such substances. In some instances where soil or groundwater contamination existed prior to our ownership or occupation, landlords or former owners may have retained some contractual responsibility or regulatory liability, but this may not provide sufficient protection to reduce or eliminate liability to us. Third-party claims for damages or personal injury are also possible and could result in significant costs to us. Moreover, current remediation, mitigation and risk assessment measures may not be adequate to comply with future laws.

In addition to the environmental regulations described above, which generally apply to all of our manufacturing operations and processes, certain end markets in which we operate (particularly the healthcare and aerospace and defense markets) are subject to additional regulatory oversight.

Our healthcare business is subject to regulation by the U.S. Food and Drug Administration (the "FDA"), Health Canada, the European Medicines Agency, the Brazilian Health Surveillance Agency, and similar regulatory bodies in other jurisdictions, relating to the medical devices and hardware we manufacture for our customers. Several of our sites around the world are certified or registered in quality management standards applicable to the healthcare industry. We are required to comply with the various statutes and regulations related to the design, development, testing, manufacturing and labeling of our medical devices in addition to reporting of certain information with respect to the safety of such products. Any failure to comply with these regulations could result in fines, injunctions, product recalls, import detentions, additional regulatory controls, suspension of production, and/or the shutting down of one or more of our sites, among other adverse outcomes. Failure to comply with these regulations may also materially affect our reputation and/or relationships with customers and regulators.

We provide design, engineering and manufacturing related services to our customers in the aerospace and defense end market. As part of these services, we are subject to substantial regulation from government agencies including the U.S. Department of Defense ("DOD") and the U.S. Federal Aviation Administration. Several of our sites around the world are certified in quality management standards applicable to the aerospace and defense industry. Failure to comply with these regulations or the loss of any of our quality management certifications may result in fines, penalties and injunctions, and could prevent us from executing on current or winning future contracts, any of which may materially adversely affect our financial condition and operating results. In addition to quality management standards, there are several other U.S. regulations that we are also required to follow, including the Federal Acquisition Regulations ("FAR"), which provides uniform policies and procedures for acquisition; the Defense Federal Acquisition Regulation Supplement, a DOD agency supplement to the FAR that provides DOD-specific acquisition regulations that DOD government acquisition officials, and those contractors doing business with DOD, must follow in the procurement process for goods and services; and the Truth in Negotiations Act, which is a law enacted for the purpose of providing for full and fair disclosure by contractors in the conduct of negotiations with the government.

Our international operations require us to comply with various anti-bribery laws, including the U.S. Foreign Corrupt Practices Act ("FCPA") and the Corruption of Foreign Public Officials Act (Canada) ("CFPOA"). In some countries in which we operate, it may be customary for businesses to engage in business practices that are prohibited by the FCPA, CFPOA or other laws and regulations. Although we have implemented policies and procedures designed to ensure compliance with the FCPA, CFPOA and similar laws, there can be no assurance that all of our employees and agents, as well as those companies to which we outsource certain business operations, will not be in violation of our policies or procedures. In addition to the difficulty of monitoring compliance, any suspected or alleged activity would require a costly investigation by us and may result in the diversion of management's time, resources and attention. Failure to comply with these laws may subject us to, among other things, adverse publicity, penalties and legal expenses that may harm our reputation and have a material adverse effect on our business, financial condition and operating results.

With respect to our solar business, the United States government has imposed tariffs on solar cells manufactured in China and Taiwan. Although our agreements with the Solar Supplier and other solar cell suppliers are intended to reduce our need to use solar cells manufactured in these countries, periodic supply constraints for these components may from time to time prevent us from sourcing all of our solar cells from outside of these regions. To the extent that we manufacture solar panels for delivery to our customers in the United States that contain cells manufactured in China or Taiwan, we are subject to such tariffs, which would in turn increase our total solar panel costs. Any such additional costs that we are unable to recover in our pricing to customers would negatively impact our margins and operating results.

As a public company, we are subject to stringent laws, regulations and other requirements, including those resulting from the U.S. Sarbanes-Oxley Act and the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"), affecting, among other areas, our accounting, internal controls, corporate governance practices, securities disclosures and reporting. For example, Dodd-Frank contains provisions concerning specified minerals originating from the Democratic Republic of Congo and adjoining countries that are believed to benefit armed groups (referred to as "conflict minerals"). As required by this Act, the U.S. Securities and Exchange Commission ("SEC") has adopted due diligence, disclosure and reporting requirements for companies that manufacture, or contract to manufacture, products that include conflict minerals. We manufacture such products for our customers. Due to our complex supply chain, compliance with these rules is time-consuming and costly. If we are unable to ascertain the origins of all such minerals used in the manufacturing of our products through the due diligence procedures we implement, we may be unable to satisfy our customers' certification requirements. This may harm our reputation, damage our customer relationships and result in a loss of revenue. If the SEC rules or other new social or environmental standards limit our pool of suppliers in order to produce "conflict free" or "socially responsible" products, or otherwise adversely affect the sourcing, supply and pricing of materials used in our products, we could also experience cost increases and a material adverse impact on our operating results.

The regulatory climate can itself affect the demand for our services. For example, government reimbursement rates and other regulations, as well as the financial health of healthcare providers, and recent changes in how healthcare in the U.S. is structured, including as a result of the U.S. Affordable Care Act, and how medical devices are taxed, could affect the willingness and ability of end customers to purchase the products of our customers in this market as well as impact our margins.

Our customers are also required to comply with various government regulations, legal requirements and industry standards, including many of the industry-specific regulations discussed above. Our customers' failure to comply could affect their businesses, which in turn would affect our sales to them. In addition, if our customers are required by regulation or other requirements to make changes in their product lines, these changes could significantly disrupt particular programs for these customers and create inefficiencies in our business.

Any failure to comply with customer-driven policies and standards, and third party certification requirements, including those related to social responsibility, could adversely affect our business and reputation.

In addition to government regulations and industry standards, our customers may require us to comply with their own social responsibility, conflict minerals, quality or other business policies or standards, which may be more restrictive than current laws and regulations and our pre-existing policies, before they commence, or continue, doing business with us. Such policies or standards may be customer-driven, established by the industries in which we operate, or imposed by third party organizations. For example, we are a member of the Electronic Industry Citizenship Coalition ("EICC"). The EICC is a non-profit coalition of electronics companies and establishes standards for its members in responsible and ethical practices in the areas of labor, environmental compliance, employee health and safety, ethics and social responsibility. Our compliance with these policies, standards and third-party certification requirements could be costly, and our failure to comply could adversely affect our operations, customer relationships, reputation and profitability.

Compliance or the failure to comply with employment laws and regulations may negatively impact our financial performance.

We are subject to a variety of domestic and foreign employment laws, including those related to: workplace safety, discrimination, harassment, whistle-blowing, wages and overtime, classification of employees and severance payments. Compliance with such laws may increase our costs. In addition, such laws are subject to change, and enforcement activity relating to these laws, particularly outside the United States, can increase as a result of greater media attention due to alleged violations by other companies, changes in law, political and other factors. There can be no assurance that, in the future, we will not be found to have violated elements of such laws. Any such violations could lead to the assessment of fines or damages against us by regulatory authorities or claims by employees, any of which could adversely affect our operating results and/or our reputation.

We may be required to make larger contributions to our defined benefit pension and other pension plans in the future.

We maintain multiple defined benefit pension plans, as well as other pension plans. Our pension funding policy for our defined pension plans is to contribute amounts sufficient, at minimum, to meet local statutory funding requirements that are based on actuarial calculations. Our obligations are based on certain assumptions relating to expected plan asset performance, salary escalation, employee turnover, retirement ages, life expectancy, expected healthcare costs, the performance of the financial markets, future interest rates, and plan and legislative changes. If actual results or future expectations differ from these assumptions or if statutory funding requirements change, the amounts we are obligated to contribute to the pension plans may increase and such increase could be significant. We are also required to contribute amounts to our other pension plans to meet local statutory funding requests. The amounts we are obligated to contribute may increase due to legislative and other changes.

Failure to comply with the conditions of government grants may lead to grant repayments and adversely impact our financial performance.

We have received grants from government organizations or other third parties as incentives related to capital investments or other spending. These grants often have future conditions with which we must comply. If we do not meet these future conditions, we could be obligated to repay all or a portion of the grant, which could adversely affect our financial position and operating results.

There are inherent uncertainties involved in the estimates, judgments and assumptions used in the preparation of our financial statements. Any changes in estimates, judgments and assumptions could have a material adverse effect on our financial position and results of operations.

Our Consolidated Financial Statements are prepared in accordance with IFRS. The preparation of our financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of our assets, liabilities and related reserves, revenues and expenses. Estimates, judgments and assumptions are inherently subject to changes in future periods, which could have a material adverse effect on our financial position and results of operations.

Our credit agreement contains restrictive covenants that may impair our ability to conduct business, and the failure to comply with such covenants could cause our outstanding debt to become immediately payable.

Our credit agreement contains restrictive covenants that limit our management's discretion with respect to certain business matters. Among other factors, these covenants restrict our ability and our subsidiaries' ability to incur additional debt, create liens or other encumbrances, change the nature of our business, sell or otherwise dispose of assets, merge or consolidate with other entities, or effect a change in control. This agreement also contains certain financial covenants related to indebtedness and interest coverage. If we are not able to comply with these covenants, our outstanding debt could become immediately due and payable, and the incurrence of additional debt under our revolving credit facility would not be allowed, any of which could have a material adverse effect on our liquidity and ability to conduct our business.

We are subject to interest rate fluctuations.

We have a $300.0 million revolving credit facility ("Revolving Facility), which may be increased by an additional $150.0 million on an uncommitted basis under specified circumstances, and a $250.0 million term loan ("Term Loan") that each mature in May 2020 (collectively, the "credit facility"). Outstanding borrowings under the Revolving Facility bear interest at LIBOR, Prime, Base Rate Canada or Base Rate (each as defined in the credit agreement), at our option, plus a margin. The Term Loan bears interest at LIBOR plus a margin. At December 31, 2015, we had $237.5 million outstanding under the Term Loan, and $25.0 million outstanding under the Revolving Facility (at each of December 31, 2014 and 2013 no Term Loan and no amounts outstanding under the Revolving Facility). Our borrowings under our credit facility, which vary from time to time, expose us to interest rate risks due to fluctuations in these rates and margins. If the amount we borrow under our credit facility is substantial, an increase in interest rates would have a more pronounced impact on our interest expense. Significant interest rate fluctuations may affect our business, operating results and financial condition.

In connection with our Substantial Issuer Bid, we incurred significant additional indebtedness, which could adversely affect us, including by decreasing our business flexibility.

The financing of a substantial portion of our $350.0 million "modified Dutch auction" substantial issuer bid ("SIB") with the Term Loan has significantly increased our indebtedness in comparison to recent historical levels. This has increased our interest expense and could have the effect, among other things, of reducing our flexibility to respond to changing business and economic conditions. The amount of cash required to pay interest and principal repayments impact our liquidity and the cash resources that would otherwise be available to conduct our business, including for working capital or to fund capital expenditures, acquisitions, or future expansion of our business, and for other general corporate purposes.

Deterioration in financial markets or in the macro-economic environment may adversely affect our ability to raise funds or increase the cost of raising funds.

We currently have access to the Revolving Facility, which matures in May 2020. We may also issue debt or equity securities to fund our operations or make acquisitions. Our ability to borrow or raise capital, or renew our facility, may be impacted if financial markets are unstable. Disruptions in the capital and credit markets could adversely affect our ability to draw on our Revolving Facility. Our access to funds under our credit facility is dependent on the ability of our senior lenders to meet their funding commitments. They may not be able to meet their funding commitments to us if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests from us and other borrowers within a short period of time. Longer term disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation, reduced alternatives, or failures of significant financial institutions could adversely affect our access to liquidity needed for our business. Any disruption could require us to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding sources can be arranged. Such measures could include deferring capital expenditures, and reducing or eliminating discretionary uses of cash.

Our credit rating may be downgraded.

Any negative change in our credit rating may make it more expensive for us to raise additional capital in the future on terms that are acceptable to us, if at all.

The interest of our controlling shareholder, Onex Corporation, with an approximate 79% voting interest, may conflict with the interests of other shareholders.

Onex Corporation ("Onex"), beneficially owns or controls, directly or indirectly, all of our outstanding multiple voting shares and less than 1% of our outstanding subordinate voting shares. The number of subordinate voting shares and multiple voting shares beneficially owned by Onex, directly or indirectly, represents approximately 79% of the voting interest in Celestica. Accordingly, Onex has the ability to exercise significant influence over our business and affairs and generally has the power to determine all matters submitted to a vote of our shareholders where our shares vote together as a single class. Onex may make decisions regarding Celestica and our business that are opposed to other shareholders' interests or with which other shareholders may disagree. Onex's voting power could have the effect of deterring or preventing a change in control of our Corporation that might otherwise be beneficial to our other shareholders.

Through its shareholdings, Onex has the power to elect our directors and its approval is required for significant corporate transactions such as certain amendments to our articles of incorporation, the sale of all or substantially all of our assets and plans of arrangement. The directors so elected have the authority, subject to applicable laws, to appoint or replace senior management, cause us to issue additional subordinate voting shares or multiple voting shares or repurchase subordinate voting shares or multiple voting shares, declare dividends or take other actions. Under our credit agreement, it is an event of default entitling our lenders to demand repayment if Onex ceases to control Celestica unless the shares of Celestica become widely held ("widely held" meaning that no one person or entity owns more than 33% of the votes).

Gerald W. Schwartz, the Chairman of the Board, President and Chief Executive Officer of Onex, is also one of our directors, and holds, indirectly or directly, shares representing the majority of the voting rights of the shares of Onex. The interests of Onex and Mr. Schwartz may differ from the interests of the remaining holders of subordinate voting shares. For additional information about shareholder rights and restrictions relative to our subordinate voting shares and multiple voting shares, see Item 10(B), "Memorandum and Articles of Incorporation". For additional information about our principal shareholders, see Item 7(A), "Major Shareholders". Also see Item 7(B), "Related Party Transactions" for a description of Mr. Schwartz's ownership interest in the purchasing entity under an agreement of purchase and sale with respect to our real property located in Toronto, Ontario.

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

We are subject to litigation, including securities class action and shareholder derivative lawsuits, which may result in substantial litigation expenses, settlement costs or judgments, require the time and attention of key management resources, and result in adverse publicity, any of which may negatively impact our financial performance.

We were party (until July 2015) to securities class action lawsuits commenced in 2007 against us and our former Chief Executive and Chief Financial Officers in the United States District Court for the Southern District of New York by certain individuals, on behalf of themselves and other unnamed purchasers of our subordinate voting shares. On July 28, 2015, the District Court approved the settlement of the U.S. case. The time for any person to appeal the District Court's order has expired, and the settlement payment to the plaintiffs was paid by our liability insurance carriers. Parallel class proceedings were initiated in October 2011 against us and our former Chief Executive and Chief Financial Officers in the Ontario Superior Court of Justice. These proceedings are not affected by the settlement discussed above. On October 15, 2012, the Ontario Superior Court of Justice granted limited aspects of the defendants' motion to strike, but dismissed the defendants' limitation period argument. The defendants' appeal of the limitation period issue was dismissed on February 3, 2014 when the Court of Appeal for Ontario overturned its own prior decision on the limitation period issue. On August 7, 2014, the defendants were granted leave to appeal the decision to the Supreme Court of Canada, together with two other cases that dealt with the limitation period issue. The Supreme Court of Canada heard the appeal on February 9, 2015. The Supreme Court of Canada released its decision on December 4, 2015, allowing the defendants' appeal and holding that the statutory claims of the plaintiff and the class under the Ontario Securities Act are barred by the applicable limitation period. In an earlier decision dated February 14, 2014, the Ontario Superior Court of Justice denied certification of the plaintiffs' common law claims. No party appealed that decision. We will be seeking our costs of the Supreme Court proceedings and the proceedings below. It is too early to assess the quantum of costs that may be awarded, if any. The Canadian plaintiff has initiated a second motion to certify its common law claims, even though those claims were denied certification in February 2014. We believe that the February 2014 decision is final and binding and that any attempt to re-open certification of the common law claims is without merit. There can be no assurance that the outcome of the lawsuit will be favorable to us or that it will not have a material adverse impact on our financial position or liquidity. In addition, we may incur substantial litigation expenses in defending the claim. As the matter is ongoing, we cannot predict its duration or the resources required. See Item 5, "Operating and Financial Review and Prospects Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Litigation and contingencies" and note 23 to the Consolidated Financial Statements under the caption "Litigation" in Item 18 for a detailed description of the history and status of such lawsuits.

In addition, in the ordinary course of our business, we are from time to time party to various copyright, patent and trademark infringement, unfair competition, breach of contract, customs, employment and other legal actions incidental to our business, as plaintiff or defendant. From time to time, we are involved in various claims, suits, investigations and legal proceedings. Additional legal claims or regulatory matters may arise in the future and could involve matters relating to commercial disputes, government regulation and compliance, intellectual property, antitrust, tax, employment or shareholder issues, product liability claims and other issues on a global basis. Regardless of the merits of the claims, litigation may be both time-consuming and disruptive to our business. The defense and ultimate outcome of any lawsuits or other legal proceedings may result in higher operating expenses and a decrease in our margins, which could have a material adverse effect on our business, financial condition, or results of operations. We cannot predict the final outcome of such lawsuits or the likelihood that other proceedings will be instituted against us. Accordingly, the cost of defending against such lawsuits or any future lawsuits or proceedings may be high and, in any event, these legal proceedings may result in the diversion of our management's time and attention away from our business. In the event that there is an adverse ruling in any legal proceeding, we may be required to make payments to third parties that could have a material adverse effect on our reputation, financial condition and results of operations.

Changes in accounting standards enacted by the relevant standard-setting bodies may adversely affect our reported operating results, profitability and financial performance.

Accounting standards are revised periodically and/or expanded upon by applicable standard-setting bodies. We are required to adopt new or revised accounting standards and to comply with revised interpretations issued from time-to-time by these authoritative bodies, which include the Canadian Accounting Standards Board ("CASB"), the International Accounting Standards Board ("IASB"), and the SEC. Such standards could have a significant effect on our accounting methods and reported results. For example, the IASB issued a new revenue recognition standard and amended the standard relating to the classification, measurement and impairment of financial assets and hedge accounting; both of these standards will apply to us beginning January 1, 2018. Changes in accounting standards could adversely affect our reported operating results or financial condition. Our Consolidated Financial Statements are prepared in accordance with IFRS. Our reported financial information may not be comparable to the information reported by our competitors or other public companies that use different accounting standards. The Financial Accounting Standards Board and IASB have been jointly collaborating on a series of projects to converge, improve and align the U.S. and international accounting standards as one global high quality standard. While there have been delays in the convergence effort, we continue to monitor developments and consider the potential impacts.

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

Future sales of our subordinate voting shares in the public market, or the issuance of subordinate voting shares in connection with our equity-based compensation plans or otherwise, could adversely affect the market price of the subordinate voting shares.

At February 10, 2016, we had 124.5 million subordinate voting shares and 18.9 million multiple voting shares outstanding. In addition, as of such date, there were 15.8 million subordinate voting shares reserved for issuance from treasury under our employee equity-based compensation plans and for director compensation, including 2.9 million subordinate voting shares underlying stock options (vested and unvested), 0.8 million subordinate voting shares underlying unvested restricted share units, 3.6 million subordinate voting shares underlying unvested performance share units, and 1.3 million subordinate voting shares underlying deferred share units that have not been settled. Moreover, pursuant to our articles of incorporation, we may issue an unlimited number of additional subordinate voting shares without further shareholder approval (subject to any required stock exchange approvals). Sales of a substantial number of our subordinate voting shares in the public market by holders of exercised vested options or vested share units settled in or exercised for subordinate voting shares may lower the prevailing market price for such shares and could impair our ability to raise capital through the future sale of our equity securities. Additionally, if we issue additional subordinate voting shares, or if holders of outstanding vested options exercise those options or if vested shares units are settled in newly-issued subordinate voting shares, our shareholders will incur dilution. The exercise price of all options is subject to adjustment upon stock dividends, splits and combinations, if any, as well as anti-dilution adjustments as set forth in the relevant award agreement.

The market price of our stock may be volatile.

The stock market in recent years has experienced significant price and volume fluctuations that have affected the market price of our stock. These fluctuations have often been unrelated to the operating performance of our company. Factors such as changes in our operating results, announcements by our customers, competitors or other events affecting companies in the electronics industry, currency fluctuations, general market fluctuations, and macro-economic conditions may cause the market price of our subordinate voting shares to decline.

Using our cash resources to repurchase subordinate voting shares presents potential risks and disadvantages to us and our continuing shareholders.

Under the SIB launched and completed during the second quarter of 2015, we repurchased and cancelled approximately 26.3 million subordinate voting shares at a price of $13.30 per share (for an aggregate purchase price of $350.0 million), representing approximately 15.5% of our total multiple voting shares and subordinate voting shares issued and outstanding immediately prior to the completion of the SIB. Although our board of directors determined that the SIB repurchases were in the best interests of our shareholders, and under our new NCIB (approved in February 2016), we are authorized to repurchase up to approximately 10.5 million additional subordinate voting shares, at times and prices we consider appropriate, such repurchases expose us to certain risks including: risks resulting from a reduction in the size of our "public float" (defined as the number of subordinate voting shares owned by non-affiliated shareholders which are available for trading in the securities markets), which may reduce the trading volume of our subordinate voting shares, resulting in reduced liquidity and, potentially, lower trading prices; the risk that our share price could decline such that future repurchases of our subordinate voting shares may be at a lower price per share than we paid in the SIB; and the risk that using our cash resources for this purpose has reduced, and may reduce, the amount of cash that would otherwise be available to pursue potential cash acquisitions or other strategic business opportunities.

A U.S. government shutdown could adversely impact our results of operations.

Approximately one-half of our cash equivalents at December 31, 2015 were invested in money market funds that primarily hold U.S. government securities. As a result, a U.S. government shutdown and/or U.S. government debt ceiling impasse could result in a default by the U.S. government on such securities, which could have a material adverse effect on our results of operations and financial condition. In addition, such events could result in a U.S. credit rating downgrade, significant U.S. and global economic and financial market dislocations, interest rate and foreign exchange rate impacts and other potential unforeseen consequences that could have a material adverse effect on our results of operations and financial condition.

Potential unenforceability of judgments.

We are incorporated under the laws of the Province of Ontario, Canada. A majority of our directors, officers and controlling persons are residents of (or organized in) 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 of process within the United States upon those directors, officers, or controlling persons who are not residents of the United States, or to enforce judgments in the United States obtained in courts of the United States predicated upon the civil liability provisions of U.S. federal securities laws. It may also be difficult for shareholders to enforce a U.S. judgment in Canada or to succeed in a lawsuit in Canada based only on U.S. securities laws.

We cannot assure our shareholders that our NCIB will enhance shareholder value, and share repurchases could increase the volatility of our share price.

We repurchase subordinate voting shares in the open market and otherwise for cancellation pursuant to, among other things, NCIBs, which allow us to repurchase a limited number of subordinate voting shares during a specified period. Under our new NCIB, we are authorized to repurchase up to an aggregate of approximately 10.5 million subordinate voting shares at times and prices we consider appropriate depending upon prevailing market conditions and other corporate considerations. The timing and actual number of shares repurchased will depend on a variety of factors including the timing of open trading windows, price, corporate and regulatory requirements, and other market conditions. The existence of the NCIB, however, could also cause our subordinate voting share price to be higher than it would be in the absence of such a program and could potentially reduce the market liquidity for our subordinate voting shares.

Negative publicity could adversely affect our reputation as well as our business, financial results and share price.

Unfavorable media related to our industry, company, brand, marketing, personnel, operations, business performance, or prospects may affect our share price and the performance of our business, regardless of its accuracy or inaccuracy. The speed at which negative publicity can be disseminated has increased dramatically with the capabilities of electronic communication, including social media outlets, websites, blogs, or newsletters. Our success in maintaining, extending, and expanding our brand image depends on our ability to adapt to this rapidly changing media environment. Adverse publicity or negative commentary from any media outlet could damage our reputation and reduce the demand for our products, which would adversely affect our business.

Item 4. Information on the Company

A. History and Development of the Company

We were incorporated in Ontario, Canada on September 27, 1996. Our legal and commercial name is Celestica Inc. We are a corporation domiciled in the Province of Ontario, Canada and operate under the Business Corporations Act (Ontario). Our principal executive offices are located at 844 Don Mills Road, Toronto, Ontario, Canada M3C 1V7 and our telephone number is (416) 448-5800. Our website is www.celestica.com. Information on our website is not incorporated by reference into this Annual Report.

Prior to our incorporation, we were an IBM manufacturing unit that provided manufacturing services to IBM for more than 75 years. In 1993, we began providing electronics manufacturing services to non-IBM customers. In October 1996, we were purchased from IBM by an investor group led by Onex, and in 1998, we completed our initial public offering.

Certain information concerning our acquisition activities, our principal capital expenditures (including property, plant and equipment), and financing activities, over the last three fiscal years is set forth in notes 3, 4, 7, 11, 12, 21, 23 and 24 to the Consolidated Financial Statements in Item 18, and Item 5, "Operating and Financial Review and Prospects Management's Discussion and Analysis of Financial Condition and Results of Operations". Certain information concerning our divestiture activities (including our restructurings) over the last three fiscal years is set forth in notes 6 and 15 to the Consolidated Financial Statements in Item 18, and Item 5, "Operating and Financial Review and Prospects Management's Discussion and Analysis of Financial Condition and Results of Operations".

See Item 5, "Operating and Financial Review and Prospects Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Cash Requirements" for our significant commitments for capital expenditures at December 31, 2015 and planned for 2016, as well as a description of a property sale agreement we entered into in July 2015 for the sale of our real property located in Toronto, Ontario, which includes the site of our corporate headquarters and our Toronto manufacturing operations.

There were no public takeover offers by third parties in respect of the Corporation's subordinate voting shares or multiple voting shares or by the Corporation in respect of other companies' shares which occurred during the last or current financial year.

B. Business Overview

General

We deliver innovative supply chain solutions globally to customers in the Communications (comprised of enterprise communications and telecommunications), Consumer, Diversified (comprised of aerospace and defense, industrial, healthcare, energy and semiconductor equipment), Servers and Storage end markets. We believe our services and solutions create value for our customers by accelerating their time-to-market, and by providing higher quality, lower cost, and reduced cycle times in our customers' supply chains, resulting in lower total cost of ownership, greater flexibility, higher return on invested capital and improved competitive advantage for our customers in their respective markets.

Our global headquarters is located in Toronto, Canada. We operate a network of sites in various geographies with specialized end-to-end supply chain capabilities tailored to meet specific market and customer product lifecycle requirements. In an effort to drive speed, quality and flexibility for our customers, we execute our business in centers of excellence (discussed below) strategically located in North America, Europe and Asia. We strive to align our preferred suppliers in close proximity to these centers of excellence to increase the speed and flexibility of our supply chain, to deliver overall shorter product lead times, and to reduce time to market.

We offer a range of services to our customers, including design and development (such as our JDM offering, which is focused on developing design solutions in collaboration with customers, as well as managing aspects of the supply chain and manufacturing), engineering services, supply chain management, new product introduction, component sourcing, electronics manufacturing, assembly and test, complex mechanical assembly, systems integration, precision machining, order fulfillment, logistics and after-market repair and return services.

Although we supply products and services to over 100 customers, we depend upon a small number of customers for a substantial portion of our revenue. In 2015, our top 10 customers represented, in the aggregate, 67% of revenue, and our largest customer represented 16% of total revenue. Significant reductions in, or the loss of, revenue from any of our major customers may have a material adverse effect on us. See Item 3(D) Key Information Risk Factors "*We are dependent on a limited number of customers and end markets. We are also dependent on our customers' ability to compete and succeed in the marketplace with the services we provide and the products we manufacture.*"

In 2015, our revenue by end market was as follows: Communications (40% of revenue); Consumer (3% of revenue); Diversified (29% of revenue); Servers (10% of revenue); and Storage (18% of revenue). The products and services we provide serve a wide variety of applications, including servers; networking and telecommunications equipment; storage systems; optical equipment; aerospace and defense electronics; healthcare products and applications; semiconductor equipment; and a range of industrial and alternative energy products, including solar panels and inverters.

In order to increase the value we deliver to our customers, we continue to make investments in people, value-added service offerings, new capabilities, capacity, technology, IT systems, software and tools. We intend to continuously work to improve our productivity, quality, delivery performance and flexibility in our efforts to be recognized as one of the leading companies in the EMS industry.

Our current priorities include: (i) evolving our customer and product portfolios in order to drive consistent revenue growth with strong operating margins; (ii) improving the operational performance of our diversified end market businesses; (iii) increasing investments in the front end of our business to accelerate growth; and (iv) continuing to generate strong annual free cash flow and return on invested capital ("ROIC"). We will continue to focus on expanding our revenue base in our higher-value-added services, such as design and development, engineering, supply chain management and after-market services, and to grow our business with new and existing customers in our end markets. We will also remain focused on expanding our business beyond our traditional end markets, which continue to account for a substantial portion of our revenue. Note that operating margin, free cash flow and ROIC are non-IFRS measures without standardized meanings and may not be comparable to similar measures presented by other companies. See "Non-IFRS measures" in Item 5 Operating and Financial Review and Prospects, for a discussion of the non-IFRS measures included herein, and a reconciliation of our non-IFRS measures to comparable IFRS measures (where a comparable IFRS measure exists).

Electronics Manufacturing Services Industry

Overview

Leading EMS companies manage global networks that are capable of delivering customized supply chain solutions. They offer end-to-end services for the entire product lifecycle, including design and engineering services, manufacturing, assembly and test, systems integration, fulfillment and after-market services. OEMs, service providers and other companies use these services to enhance their competitive positions. Outsourcing manufacturing and related services can help companies to address their business challenges related to cost, asset utilization, quality, time-to-market, demand volatility, customer support, and rapidly changing technologies.

We believe outsourcing by OEMs and other companies will continue across a number of industries as a means to:

Reduce Operating Costs and Invested Capital. OEMs are under continuous pressure to reduce total product lifecycle costs, and property, plant and equipment expenditures. The manufacturing process for electronics products has become increasingly automated, requiring greater levels of investment in property, plant and equipment. EMS companies help enable OEMs to gain access to a global network of manufacturing sites with supply chain management expertise, advanced engineering capabilities, flexible capacity and economies of scale. By working with EMS companies, OEMs can reduce their overall product lifecycle and operating costs, working capital and property, plant and equipment investment requirements, and improve their financial performance.

Focus Resources on Core Competencies. Our customers operate in a highly competitive environment, characterized by rapid technological change and short product lifecycles. In this environment, many customers prioritize their resources on their core competencies of product development, sales, marketing and customer service, by outsourcing design, engineering, manufacturing, supply chain and other product support requirements to their EMS partners.

Improve Time-to-Market. Electronic products generally experience short lifecycles, requiring OEMs to continually reduce the time and cost of bringing products to market. We believe that OEMs can significantly improve product development cycles and enhance time-to-market by benefiting from the expertise and infrastructure of EMS providers, including their capabilities relating to design and engineering services, prototyping and the rapid ramp-up of new products to high-volume production, all with the critical support of global supply chain management and manufacturing networks.

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

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

Improve Access to Global Markets. Some of our customers provide products or services to a global customer base. EMS companies with global infrastructure and support capabilities help to provide customers with efficient global manufacturing solutions, distribution capabilities and after-market services.

Access Value-Added Service Offerings. EMS providers strive to expand their offerings to include services such as design, fulfillment and after-market services, including repair and recycling, in order to enable OEMs to benefit from outsourcing more of their cost of goods sold.

Celestica's Strategy

We are focused on building solid partnerships and delivering informed, flexible solutions intended to enable our customers' success. To achieve this, we collaborate with our customers in an effort to identify and meet their current and future requirements. We strive to exceed our customers' expectations by offering a range of services designed to deliver lower costs, increased flexibility and predictability, improved quality and more responsive service to their customers. We constantly seek to advance our quality, engineering, manufacturing and supply chain capabilities to help our customers achieve a competitive advantage. We will continue to focus on our pursuit of the following, intended to strengthen our competitive position and enhance customer satisfaction and shareholder value:

Increase Penetration in our End Markets. We strive to establish a diverse customer base across several industries. We believe our expertise in technology, quality and supply chain management, in addition to our service offerings and centers of excellence, have positioned us as an attractive partner to companies across various markets. Our goal is to grow across our end markets, with particular emphasis on expanding business in our diversified end market, which is comprised of the aerospace and defense, industrial, healthcare, energy and semiconductor equipment end markets. Revenue from our diversified end market has increased from 25% of total revenue in 2013 to 29% of total revenue in 2015, representing a 12% growth in revenue dollars over the same period.

Our revenue by end market as a percentage of total revenue is as follows:

	2013	2014	2015
Communications	42%	40%	40%
Consumer	6%	5%	3%
Diversified	25%	28%	29%
Servers	13%	9%	10%
Storage	14%	18%	18%

Selectively Pursue Strategic Acquisitions. We will selectively seek acquisition opportunities in order to (i) profitably grow our revenue, (ii) further develop strategic relationships with customers in our end markets and (iii) enhance the scope of our capabilities and service offerings.

Continuously Improve Operational Performance. We will continue to focus on (i) managing our mix of business, service offerings and volume of business to improve our overall margins, (ii) leveraging our supply chain practices globally to lower material costs, minimize lead times and improve our planning cycle to better meet changes in customers' demand and improve asset utilization, (iii) improving operating efficiencies to reduce costs and improve margins, including improvements in the operational and financial performance of our semiconductor and solar businesses, and (iv) generating strong annual free cash flow and ROIC. As we expand and grow our business across our end markets, in particular, the businesses within our diversified end market, our operating results have been, and will continue to be, negatively impacted by the costs of ramping new business. As with any business expansion, we may encounter difficulties pertaining to such ramping activities that may result in higher than expected costs, adversely impacting our operating results. Although revenue from our diversified end market has increased in recent years, we have encountered challenges in connection with the expansion of our semiconductor and solar businesses, resulting in lower margins and/or losses for such businesses during and/or following the ramp periods. We expect losses to continue with respect to our solar business through the first quarter of 2016. In addition, our semiconductor business may incur lower margins and/or losses largely due to demand fluctuations associated with the cyclical semiconductor market. See Item 5 Operating and Financial Review and Prospects.

Develop and Grow Trusted Relationships with Leading Customers. We continue to seek to build profitable, strategic relationships with targeted industry leaders that we believe can benefit from our services and solutions. We strive to respond to our customers' needs with speed, flexibility and predictability in delivering results. We have established and maintain strong relationships with a diverse mix of leading OEMs and service providers across our end markets. We believe that our customer base is a strong potential source of growth for us as we seek to strengthen these relationships through the delivery of additional services.

Expand Range of Service Offerings. We continually seek to expand the services we offer to our customers, which currently include prototyping, design and development, engineering, supply chain services, systems assembly, logistics, fulfillment and after-market services. We believe that our JDM offering differentiates Celestica from other EMS providers, by encompassing advanced technology design solutions that customers can tailor to their specific platform applications.

Continue to Invest in Developing New Technology, Quality Products and Supply Chain Solutions and Services. We are committed to meeting our customers' needs in the areas of technology, quality and supply chain management. We believe our expertise in these areas enables us to meet the rigorous demands of our customers, and allows us to produce a variety of electronic products ranging from high-volume electronics to highly complex technology infrastructure products. We believe our commitment to quality allows us to deliver consistently reliable products to our customers. The systems and collaborative processes associated with our expertise in supply chain management generally help us to rapidly adjust our operations to meet the lead time requirements of our customers, flexibly shift capacity in response to product demand fluctuations and quickly and effectively deliver products directly to end customers. We collaborate with our suppliers to influence component design for the benefit of our customers. As a result of the successes that we have had in these areas, we have been recognized with numerous customer and industry achievement awards.

Celestica's Business

Innovative Supply Chain Solutions and Services

We are a global provider of innovative supply chain solutions. We offer a range of services including design and development, engineering services, supply chain management, new product introduction, component sourcing, electronics manufacturing, assembly and test, complex mechanical assembly, systems integration, precision machining, order fulfillment, logistics and after-market repair and return services. We leverage our global network of sites and centers of excellence, information technology and supply chain expertise using collaborative processes and a team of highly skilled, customer-focused employees. We believe that our ability to deliver a range of supply chain solutions to our customers provides them with a competitive lead time, and advantages in quality, flexibility and total cost of ownership.

The objective of our centers of excellence program is to help ensure that our operations reflect a solid understanding of the markets we serve, have current capabilities and standardized practices, and are positioned to provide efficiency, consistency, and value to our customers around the globe. To obtain "center of excellence" status, our sites must meet our defined criteria pertaining to quality, supply chain capabilities, Lean and Six Sigma, market specific certifications (to the extent applicable), and other matters regarding their operations.

Quality, Lean and Six Sigma Culture

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

In addition to these standards, we deploy Lean and Six Sigma initiatives (processes intended to improve product consistency, and reduce defects and waste) throughout our operations network. Implementing Lean initiatives throughout the manufacturing process helps improve efficiency, shorten cycle times and reduce waste in areas such as inventory on hand, set up times, floor space and the number of people required for production. We also use value stream mapping techniques to improve efficiencies and simplify processes in our non-production operations. Six Sigma is intended to drive continuous improvement by reducing process variation. We also apply the knowledge we gain in our after-market services to help improve the quality and reliability of next-generation products for our customers. Success in these areas can help our customers to lower their costs, positioning them more competitively in their respective markets.

Design and Engineering Services

Our global design teams are focused on delivering flexible solutions and expertise, intended to help customers reduce overall product costs, improve time-to-market, and introduce competitively differentiated products. For customer-owned designs, we partner with our customers to augment their design teams, and utilize our proprietary design analysis tools to minimize design revisions and to achieve improved manufacturing yields. Our JDM service involves developing design solutions in collaboration with customers, managing aspects of the supply chain and manufacturing of their products. We continue to invest in leading-edge product roadmaps and design capabilities aligned with both market standards and emerging technologies in support of our JDM offering. We are currently delivering both customized and generic "white box" solutions to customers in the storage, servers and communications markets, intended to help them reach their markets faster, while reducing product costs and building valuable IP for their product portfolios. Through our collective experience with common technologies across multiple industries and product groups, we believe we provide quality and cost-focused solutions for a wide range of our customers' design needs.

We collaborate with some of our core customers' product designers in the early stages of product development, using advanced tools to enable new product ideas to progress from electrical and application-specific integrated circuit design, to simulation, physical layout and design for manufacturing. Collaborative links and databases between a customer and our design and manufacturing groups help to ensure that new designs are released rapidly, smoothly and cohesively into production.

Our engineering services team works as an extension of our customers' teams throughout the product life-cycle. We believe our engineering expertise and experience in design review, product test solutions, assembly technology, quality and reliability, position us well to deliver the services required to address the challenges facing our customers. We maintain ties with key industry associations and engineering firms to help us stay apprised of advances in technical knowledge.

Prototyping and New Product Introduction

Prototyping is a critical early-stage process in the development of new products. Our engineers collaborate with our customers' engineers to provide quick responses in the early stages of the product development lifecycle.

Supply Chain Management and Services

We use advanced planning, enterprise resource planning, and supply chain management systems to optimize materials management from suppliers through to our customers' customers. We believe that the effective management of the supply chain is critical to our customers' success, as it directly impacts the time and cost required to deliver products to market and the capital requirements associated with carrying inventory.

We strive to reduce our customers' total cost of ownership by providing lower costs and reduced cycle times in their supply chain, and by delivering higher quality products. We also strive to align our preferred suppliers in close proximity to our centers of excellence to increase the speed and flexibility of our supply chain, to deliver overall shorter product lead times, and to reduce time-to-market. We believe we deliver a differentiated supply chain offering.

Through our global supply chain management processes and integrated IT tools, we endeavor to provide our customers with enhanced visibility to balance their global demand and supply requirements, including inventory and order management.

Manufacturing Services

Printed Circuit Board Assembly

Printed circuit board assembly includes the attachment of electronic components, such as capacitors, microprocessors, resistors and memory modules, to printed circuit boards. Our global network of engineers helps us to provide our customers with full printed circuit board ("PCB") assembly technology capabilities. These capabilities include design for manufacturing, PCB layout, packaging, assembly, lead-free soldering, test development, and data analytics for complex flexible and rigid-flex circuits and hybrid PCBs.

Complex Mechanical Assembly

We provide systems integration and precision machined components to our semiconductor capital equipment customers. Complex mechanical systems integration consists of multiple interconnected subsystems that interact with various materials, e.g., fluids, solids, particles and rigid bodies. Such systems are often used in advanced manufacturing applications such as semiconductor manufacturing and processes equipment, medical applications using robotics, and other applications such as cash handling machines where precise standards are required.

Precision Machining

We utilize specialized computer-controlled machines to manufacture high quality components to tight tolerance requirements. Such components are often used in similar applications as noted above for complex mechanical assembly.

Renewable Energy Services

We provide services to our customers in the renewable energy market, including power generation, power conversion and power electronics. We design, manufacture and test solar panels for the residential, commercial and utility scale markets. We provide design services, manufacturing and test for power inverters, metering and controls electronics, photovoltaic, and energy storage subsystems. We also provide high reliability testing, analysis and solar product certification services for our customers in the renewable energy market.

Systems Assembly and Test

We use sophisticated technologies in the assembly and testing of our products. We continue to make investments in the development of new assembly and test process techniques intended to enhance product quality, reduce cost and improve delivery time to customers. We work independently and also collaborate with customers and suppliers to develop assembly and test technologies. Systems assembly and testing require sophisticated logistics capabilities to rapidly procure components, assemble products, perform complex testing and distribute products to customers around the world. Our full systems assembly services involve combining and testing a wide range of subassemblies and components before shipping to their final destination. Increasingly, customers require custom build-to-order system solutions with very short lead times and we are focused on using our advanced supply chain management capabilities to respond to our customers' needs.

Quality and Product Assurance

We provide complete product reliability testing, inspection and qualification capabilities to support our customers' full product lifecycle requirements. Our quality and product assurance teams perform product testing to ensure that designs meet or exceed required specifications. We are capable of testing to various industry standards, and we work closely with our customers to execute unique test protocols. We believe that this service allows our customers to assess certification risks early in the product development lifecycle, reducing cost and time-to-market.

Failure Analysis and After-Market Services

Our extensive failure analysis capabilities concentrate on identifying the root cause of product failures and determining corrective actions. The root causes of failures typically relate to inherent component defects and/or deficiencies in design specifications. Products are subjected to various environmental extremes, including temperature, humidity, vibration, voltage and contamination. Field conditions are simulated in failure analysis laboratories which employ electron microscopes, spectrometers and other advanced equipment. Our engineers work proactively in partnership with suppliers and customers in an effort to discover product failures before products are shipped, and to develop and implement resolutions if required.

We also seek to provide value to our customers through our after-market services offerings which include repair, fulfillment, reverse logistics, reclamation and returns processing and prevention. Our fulfillment offering includes the design and management of integrated supply chain and materials management for light manufacturing and final assembly and reclamation. Our reverse logistics offering includes the design and management of transportation networks, warehousing and distribution of products, asset recovery services, and transportation and supply chain event monitoring. The returns processing and prevention offering provides our customers with product screening and testing and product design and process analysis. We offer these services individually or integrated through a 'Control Tower' model which coordinates our people, systems and processes with those of our customers to improve service levels by providing an increased level of visibility and analytics throughout the entire after-market value chain.

Geographies

For 2015, approximately three-quarters (2014 three-quarters; 2013 two-thirds) of our revenue was produced in Asia and one-fifth (2014 less than one-fifth; 2013 one-fifth) of our revenue was produced in North America. Revenue produced in Canada represented 9% of revenue in 2015 (each of 2014 and 2013 7%). Our property, plant and equipment in Canada represented 8% of our property, plant and equipment at December 31, 2015 (December 31, 2014 10%; December 31, 2013 11%). A listing of our principal locations is included in Item 4(D), "Information on the Company Property, Plants and Equipment". Certain geographic information for countries exceeding 10% of our external revenue or property, plant and equipment, intangible assets and goodwill is set forth in note 24 to the Consolidated Financial Statements in Item 18. All other countries individually represented less than 10% in each such category.

Marketing, Sales and Solutions

We structure our business development teams by end market, region and location, with a focus on offering complete manufacturing and supply chain solutions to our customers. We have customer-focused teams, each headed by a group general manager who oversees the global relationship with our key customers. These teams work with our solutions architects to develop specific solutions to meet the requirements of each customer's product or supply chain. Our global network is comprised of customer-focused teams, including account sales teams, operational and project managers, regional executives, and supply chain management teams, as well as senior executives.

Customer Experience and Relationship Management

As stated above, we supply products and services to over 100 customers. We target industry-leading customers in our end markets. Our customers include Applied Materials, Inc., Cisco Systems, Inc., EMC Corporation, Hewlett-Packard Company, HGST, Inc., Honeywell Inc., IBM Corporation, Juniper Networks, Inc., NEC Corporation, and Oracle Corporation. We are focused on strengthening our relationships with these and other strategic customers through the delivery of new and expanding end-to-end solutions.

During 2015, three customers (Cisco Systems, Inc., IBM Corporation, and Juniper Networks, Inc.) individually represented more than 10% of total revenue (2014 three customers; 2013 two customers). Our top 10 customers represented 67%, 65%, and 65% of total revenue for 2015, 2014, and 2013, respectively.

We generally enter into master supply agreements with our customers that provide the framework for our overall relationship, although the level of business under those agreements is not guaranteed. Instead, we bid on a program-by-program basis and typically receive customer purchase orders for specific quantities and timing of products. A majority of these agreements also require the customer to purchase unused inventory that we have purchased to fulfill that customer's forecasted manufacturing demand.

Research and Technology Development

We use advanced technology to design, assemble and test the products we manufacture. We continue to increase investment in our global design services and capabilities to conceive differentiated JDM product solutions for our customers.

We believe that our customer-focused factories are highly flexible and can be reconfigured as needed to meet customer-specific product requirements and fluctuations in volumes. We have extensive capabilities across a broad range of specialized assembly, configuration and test processes. We work with a variety of substrates based on the products we build for our customers, from thin, flexible printed circuit boards to highly complex, dense multi-layer printed circuit boards, as well as a broad array of advanced component and attachment technologies employed in our customers' products and our own product designs. We believe that increasing demand for full-system assembly solutions continues to drive technical advancement in complex mechanical assembly and configuration. We also develop and manufacture sub-components, such as optical modules and complex machined parts, intended to drive targeted technical advancements to support these opportunities.

Our automated electronics assembly lines are continuously refreshed with the latest generation technology, with a focus on flexible lines with quick changeover, large board capability, and small component capability. Our assembly capabilities are complemented by advanced test capabilities. The technologies we use include high-speed functional testing, optical, burn-in, vibration, radio frequency, and in-circuit and in-situ dynamic thermal cycling stress testing. Our inspection technology includes X-ray laminography, advanced automated optical inspection, three-dimensional paste volumetric inspection and scanning electron microscopy. We work directly with leaders in the equipment industry to optimize their products and solutions or to jointly design solutions to better meet our needs and the needs of our customers. We apply automation solutions for higher volume products, where possible, to help lower product costs.

Our ongoing research and development activities include the development of processes and test technologies, as well as some focused product development and technology building blocks that can be used by customers in the development of their products, or to accelerate their products' time-to-market. Our JDM offering is focused on developing these design solutions and subsequently managing the other aspects of the supply chain, including manufacturing of the products. We focus our solutions on developing current and next generation storage, server and communications products (in particular, elements of data centers, which include the development of generic "white box" solutions to reduce product costs and accelerate time to market, and which we believe will grow in the future). We work directly with our customers to understand their product roadmaps and to develop technology solutions intended to optimally meet their needs. We are proactive in developing manufacturing techniques that take advantage of the latest component, product and packaging designs. We have worked with, and have taken a leadership role in, industry and academic groups that strive to advance the state of technology in the industry. As we continue to pursue deeper relationships with our customers, and participate in additional services and revenue opportunities with them, we anticipate an increase in our spending in these development areas.

Supply Chain Management

We share data electronically with our key suppliers, and help ensure speed of supply through strong relationships with our component suppliers and logistics partners. We view the size and scale of our procurement activities, including our IT systems, as an important competitive advantage, as they enhance our ability to obtain better pricing, influence component packaging and designs, and obtain a supply of components in constrained markets. We procure substantially all of our materials and components on behalf of our customers pursuant to individual purchase orders that are generally short-term in nature.

Components and raw materials are sourced globally, with a majority of electronic components originating from Asian countries. In general, prices for our raw materials have been relatively stable, and we believe that such prices will remain relatively stable in the near term. See Item 3(D) "Key Information Risk Factors" for a discussion of various risks related to our foreign operations. 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 work with our suppliers and customers to attempt to ensure continuity in the supply of these components. In cases where unanticipated customer demand or supply shortages occur, we attempt to arrange for alternative sources of supply, where available, or defer planned production in response to the availability of the critical components. See Item 3(D) Key Information Risk Factors, "*We are dependent on third parties to supply equipment and materials, and our results can be negatively affected by the availability and cost of components*".

We strive to align our preferred suppliers in close proximity to our centers of excellence to increase the speed and flexibility of our supply chain and to deliver overall shorter product lead times.

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

To minimize the risk associated with inventory, we primarily order materials and components only to the extent necessary to satisfy existing customer orders and forecasts covered by the applicable customer contract terms and conditions. We have implemented specific inventory management strategies with certain suppliers, such as "supplier managed inventory" (pulling inventory at the production line on an as-needed basis) and on-site stocking programs. Our initiatives in Lean and Six Sigma also focus on eliminating excess inventory throughout the supply chain.

Intellectual Property

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

We regard our manufacturing processes and certain designs as proprietary trade secrets and confidential information. We rely largely upon a combination of trade secret laws, non-disclosure agreements with our customers, suppliers, employees and other parties, and upon 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. See Item 3(D) Key Information Risk Factors, "*We may not adequately protect our intellectual property or the intellectual property of others*".

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

Each of our customers typically provides us with a license to its technology for use in providing electronics manufacturing services to such customer. Generally, the agreements governing such technology grant to us non-exclusive, worldwide licenses with respect to the subject technologies, are typically provided without charge, and terminate upon a material breach by us of the terms of such agreements, or termination of the program to which such licenses relate.

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

Competition

The EMS industry is highly competitive with multiple global EMS providers competing for the same customers and programs. Our competitors include Benchmark Electronics, Inc., Flextronics International Ltd., Hon Hai Precision Industry Co., Ltd., Jabil Circuit, Inc., Plexus Corp., and Sanmina Corporation, as well as smaller EMS companies that often have a regional, product, service or industry-specific focus, and ODMs that provide internally designed products and manufacturing services.

We also face indirect competition from current and prospective customers who evaluate our capabilities and commercial models against the merits of manufacturing products internally. We compete with different companies depending on the type of service or geographic area. Some of our competitors have greater scale and a broader range of services than we offer. We believe our competitive advantage is our track record in manufacturing technology, quality, complexity, responsiveness and cost-effective, value-added services. To remain competitive, we believe we must continue to provide technologically advanced manufacturing services and solutions, maintain quality levels, offer flexible delivery schedules, deliver finished products and services on time and compete favorably on price. To enhance our competitiveness, we continue to focus on expanding our service offerings and capabilities beyond our traditional areas of EMS expertise. See Item 3(D) Key Information Risk Factors "We operate in an industry comprised of numerous competitors and aggressive pricing dynamics".

Environmental Matters

We are subject to various federal/national, state/provincial, local, foreign and supra-national laws and regulations, including environmental measures relating to the release, use, storage, treatment, transportation, discharge, disposal and remediation of contaminants, hazardous substances and waste, and health and safety measures related to practices and procedures applicable to the construction and operation of our sites. We have management systems in place designed to maintain compliance with such laws and regulations.

Our past operations and the historical operation by others of our sites may have resulted in soil and groundwater contamination on our sites. From time-to-time we investigate, remediate and monitor soil and groundwater contamination at certain operating sites. Generally, Phase I or similar environmental assessments (which involve general inspections without soil sampling or groundwater analysis) were obtained for most of our manufacturing sites at the time of acquisition or leasing. Where contamination is suspected at sites being acquired, Phase II intrusive environmental assessments (that can include soil and/or groundwater testing) are usually performed. We expect to conduct Phase I or similar environmental assessments in respect of future property acquisitions and intend to perform Phase II assessments where appropriate. Past environmental assessments have not revealed any environmental liability that we believe will have a material adverse effect on our operating results or financial condition, in part because of contractual retention of liability by landlords and former owners at certain sites. See, however, Item 3(D) Key Information Risk Factors, "*Compliance with governmental laws and obligations could be costly and may negatively impact our financial performance*".

Environmental legislation also occurs at the product level. Since 2004, we have offered a suite of services that helps our customers comply with environmental legislation, such as the European Union's Restriction of Hazardous Substances ("RoHS") and Waste Electrical and Electronic Equipment directive laws and China's RoHS legislation.

Backlog

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

Seasonality

Seasonality is reflected in the mix of products we manufacture from quarter-to-quarter. From time to time we experience some level of seasonality in our quarterly revenue patterns across certain of the end markets we serve. The pace of technological change, the frequency of customers transferring business among EMS competitors and the constantly changing dynamics of the global economy will also continue to impact us. As a result of these factors, the impact of new program wins or program losses, overall demand variability, and limited visibility in technology end markets, it is difficult to isolate the impact of seasonality on our business. However, historically, revenue from our storage end market has increased in the fourth quarter of the year compared to the third quarter, and then decreased in the first quarter of the following year, reflecting the increase in customer demand we typically experience in this end market in the fourth quarter. In addition, we typically experience our lowest overall revenue levels during the first quarter of each year. There is no assurance that these patterns will continue.

Controlling Shareholder Interest

Onex is our controlling shareholder with an approximate 79% voting interest in Celestica. Accordingly, Onex has the ability to exercise a significant influence over our business and affairs and generally has the power to determine all matters submitted to a vote of our shareholders where the subordinate voting shares and multiple voting shares vote together as a single class. Such matters include electing our board of directors and thereby influencing significant corporate transactions, including mergers, acquisitions, divestitures and financing arrangements. Gerald W. Schwartz, the Chairman of the Board, President and Chief Executive Officer of Onex, is also one of our directors, and holds, indirectly or directly, shares representing the majority of the voting rights of the shares of Onex. For further details, refer to footnote 2 in Item 7(A) "Major Shareholders and Related Party Transactions Major Shareholders".

Government Regulation

Information regarding material effects of government regulations on Celestica's business is provided in the risk factors entitled "*We are subject to the risk of increasing income taxes, tax audits and the challenges of successfully defending our tax positions and obtaining, renewing or meeting the conditions of tax incentives and* *credits, any of which may adversely affect our financial performance*", "*Compliance with governmental laws and obligations could be costly and may negatively impact our financial performance*", "*Compliance or the failure to comply with employment laws and regulations may negatively impact our financial performance*", and "*A U.S. government shutdown could adversely impact our results of operations*" in Item 3(D) "*Key Information Risk Factors*".

Sustainability

Our belief in strong corporate citizenship is manifested in policies and principles focused across five key areas: energy and water, materials stewardship, sustainable solutions, our employees, and community giving.

Our guiding policies and principles include:

- Our Values, developed with input from our employees to reflect the characteristics and behaviors that are core to Celestica;

- Our Business Conduct Governance Policy, which outlines the ethics and practices we consider necessary for a positive working environment and the high legal and ethical standards to which our employees are held accountable; and

- The Electronic Industry Citizenship Coalition ("EICC"), of which we were a founding (and remain a) member. The EICC's Code of Conduct outlines industry standards intended to ensure that working conditions in the supply chain are safe, workers are treated with respect and dignity, and manufacturing processes are environmentally responsible. We are continually working to implement, manage and audit our compliance with this Code.

We publish a Sustainability Report and a Business Conduct Governance Policy, both of which are available (along with our Values) on our corporate website at www.celestica.com. These documents outline our sustainability strategy, our high standards for business ethics, the policies we value and uphold, the progress we have made as a socially responsible organization and the key milestones we are working to achieve in 2016 and beyond.

Financial Information Regarding Geographic Areas

Details of our financial information regarding geographic areas are disclosed in note 24 to the Consolidated Financial Statements in Item 18, Item 4(B) "Information on the Company Business Overview Geographies", and Item 4(D) "Information on the Company Property, Plants and Equipment". Risks associated with the foreign operations are disclosed in Item 3(D) "Key Information Risk Factors".

C. Organizational Structure

Onex, a Canadian corporation, is the Corporation's controlling shareholder with an approximate 79% voting interest in Celestica (via its direct and indirect beneficial ownership of approximately 18.9 million (or 100%) of the Corporation's multiple voting shares, and approximately 0.4 million of the Corporation's subordinate voting shares). Gerald W. Schwartz, a director of Celestica, is the Chairman of the Board, President and Chief Executive Officer of Onex, and owns, directly or indirectly, multiple voting shares of Onex carrying the right to elect a majority of the Onex Board of Directors (see footnotes 2 and 3 to the Major Shareholders Table in Item 7A below). Celestica conducts its business through subsidiaries operating on a worldwide basis. The following companies are considered significant subsidiaries of Celestica, and each of them is wholly-owned, directly or indirectly, by Celestica:

Celestica Cayman Holdings 1 Limited, a Cayman Islands corporation;

Celestica Cayman Holdings 9 Limited, a Cayman Islands corporation;

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

Celestica Electronics (S) Pte Ltd, a Singapore corporation;

Celestica Holdings Pte Limited, a Singapore corporation;

Celestica Hong Kong Limited, a Hong Kong corporation;

Celestica LLC, a Delaware, U.S. limited liability company;

Celestica (Suzhou) Technology Co. Ltd, a China corporation;

Celestica (Thailand) Limited, a Thailand corporation;

Celestica (USA) Inc., a Delaware, U.S. corporation;

Celestica (US Holdings) LLC, a Delaware, U.S. limited liability company; and

2480333 Ontario Inc., an Ontario, Canada corporation.

D. Property, Plants and Equipment

The following table summarizes our principal owned and leased properties as of February 10, 2016. These sites are used to provide manufacturing services and solutions, such as the manufacture of printed circuit boards, assembly and configuration of final systems, complex mechanical assembly, precision machining as well as other related services and customer support activities, including design and development, warehousing, distribution, fulfillment and after-market services.

Major locations	Square Footage(1) (in thousands)	Owned/Leased	Lease Expiration Dates
Canada(2)(3)(5)	1,006	Owned/Leased	2020
California(3)	488	Leased	between 2018 and 2019
Oregon	188	Leased	2021
Mexico(3)	241	Leased	between 2016 and 2018
Ireland(3)	214	Leased	between 2016 and 2022
Spain	109	Owned	N/A
Romania	200	Owned	N/A
China(3)(4)	896	Owned/Leased	between 2016 and 2056
Malaysia(3)(4)	1,350	Owned/Leased	between 2016 and 2060
Thailand(3)(4)	1,070	Owned/Leased	between 2016 and 2029
Singapore(3)	217	Leased	between 2016 and 2020
Japan(3)	477	Owned/Leased	2020
Laos	114	Leased	2018

(1) Represents estimated square footage being used.

(2) Our owned property in Canada is included in the assets pledged as security for borrowings under our credit agreement.

(3) Represents multiple locations.

(4) With respect to these locations, the land is leased, and the buildings are either owned or leased by us.

(5) In July 2015, we entered into the Property Sale Agreement (as defined herein) to sell our real property located in Toronto, Ontario, which includes the site of our corporate headquarters and our Toronto manufacturing operations. The closing is subject to various conditions and is currently anticipated to occur within 2 years of the execution date of the Property Sale Agreement. We have agreed upon closing to enter into an interim lease for our existing corporate headquarters and manufacturing operations for a two-year period, followed by a longer-term lease for our new corporate headquarters based on commercially reasonable arm's-length terms. Should the transaction close, we expect to find a replacement site for our Toronto manufacturing operations. In such case, in addition to new lease costs, we expect to incur significant transition costs to transfer the manufacturing operations to an alternate location and to prepare and customize the new site to meet our manufacturing needs. Should the transaction close, we also expect to incur costs to transition to our new corporate headquarters. We are at this time unable to quantify such costs, or the timing of these transitions.

We consider each of the properties in the table above to be adequate for its purpose and suitably utilized according to the individual nature and requirements of the relevant operations.

Our principal executive office is located at 844 Don Mills Road, Toronto, Ontario, Canada M3C 1V7. Most of our principal sites are certified to ISO 9001 and ISO 14001 standards, as well as to other industry-specific certifications.

We currently expect to be able to extend the terms of expiring leases or to find replacement sites on commercially acceptable terms.

Also see "Environmental Matters" in Item 4(B) above.

Our material tangible fixed assets are described in note 7 to the Consolidated Financial Statements in Item 18.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

CELESTICA INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015

The following Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with our 2015 audited consolidated financial statements, which we prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Unless otherwise noted, all dollar amounts are expressed in U.S. dollars. The information in this discussion is provided as of February 10, 2016 unless we indicate otherwise.

Certain statements contained in this MD&A constitute forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended (U.S. Exchange Act), and contain forward-looking information within the meaning of Canadian securities laws. Such forward-looking information includes, without limitation, statements related to: our future growth; trends in the electronics manufacturing services (EMS) industry; our anticipated financial or operational results; the impact of acquisitions and program wins or losses on our financial results and working capital requirements; anticipated expenses, restructuring actions and charges, capital expenditures and/or benefits; our expected tax and litigation outcomes; our cash flows, financial targets and priorities; changes in our mix of revenue by end market; our ability to diversify and grow our customer base and develop new capabilities; the effect of the global economic environment on customer demand; the possibility of future impairment of property, plant and equipment, goodwill or intangible assets; the expected timing of ramping our solar programs in Asia, and the timing and extent of the expected recovery of cash advances made to a particular solar cell supplier; the impact of the Term Loan (as defined herein) on our liquidity, future operations and financial condition; the timing and terms of the sale of our real property in Toronto and related transactions, including the expected lease of our corporate head office (collectively, the "Toronto Real Property Transactions"); if the Toronto Real Property Transactions are completed, our ability to secure on commercially acceptable terms an alternate site for our existing Toronto manufacturing operations and the transition costs for such expected relocation; and the number of subordinate voting shares and price thereof we may repurchase under our recently-announced normal course issuer bid (NCIB). Such forward-looking statements may, without limitation, be preceded by, followed by, or include words such as "believes", "expects", "anticipates", "estimates", "intends", "plans", "continues", "project", "potential", "possible", "contemplate", "seek", or similar expressions, or may employ such future or conditional verbs as "may", "might", "will", "could", "should" or "would", or may otherwise be indicated as forward-looking statements by grammatical construction, phrasing or context. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the U.S. Private Securities Litigation Reform Act of 1995 and applicable Canadian securities laws.

Forward-looking statements are provided for the purpose of assisting readers in understanding management's current expectations and plans relating to the future. Readers are cautioned that such information may not be appropriate for other purposes. Forward-looking statements are not guarantees of future performance and are subject to risks that could cause actual results to differ materially from conclusions, forecasts or projections expressed in such statements, including, among others, risks related to: our customers' ability to compete and succeed in the marketplace with the services we provide and the products we manufacture; price and other competitive factors generally affecting the EMS industry; managing our operations and our working capital performance during uncertain market and economic conditions; responding to changes in demand, rapidly evolving and changing technologies, and changes in our customers' business and outsourcing strategies, including the insourcing of programs; customer concentration and the challenges of diversifying our customer base and replacing revenue from completed or lost programs, or customer disengagements; changing commodity, material and component costs, as well as labor costs and conditions; disruptions to our operations, or those of our customers, component suppliers or logistics partners, including as a result of global or local events outside our control; retaining or expanding our business due to execution issues relating to the ramping of new or existing programs or new offerings; the incurrence of future impairment charges; recruiting or retaining skilled personnel and transitions associated with our new CEO; current or future litigation and/or governmental actions; successfully resolving commercial and operational challenges, and improving financial results in our semiconductor and solar businesses; delays in the delivery and availability of components, *services and materials, including from new suppliers which we are dependent upon for certain components; non-performance by counterparties; our financial exposure to foreign currency volatility; our dependence on industries affected by rapid technological change; the variability of revenue and operating results; managing our global operations and supply chain; increasing income taxes, tax audits, and challenges of defending our tax positions, and obtaining, renewing or meeting the conditions of tax incentives and credits; completing restructuring actions, including achieving the anticipated benefits therefrom, and integrating any acquisitions; defects or deficiencies in our products, services or designs; computer viruses, malware, hacking attempts or outages that may disrupt our operations; any failure to adequately protect our intellectual property or the intellectual property of others; compliance with applicable laws, regulations and social responsibility initiatives; our having sufficient financial resources and working capital following consummation of the Term Loan to fund currently anticipated financial obligations and to pursue desirable business opportunities; the potential that conditions to closing the Toronto Real Property Transactions may not be satisfied on a timely basis or at all; and if the Toronto Real Property Transactions are completed, our ability to secure on commercially acceptable terms an alternate site for our existing Toronto manufacturing operations, and the costs, timing and/or execution of such relocation proving to be other than anticipated. The foregoing and other material risks and uncertainties are discussed in our public filings at www.sedar.com and www.sec.gov, including in this MD&A, our Annual Report on Form 20-F filed with, and subsequent reports on Form 6-K furnished to, the U.S. Securities and Exchange Commission (SEC), and our Annual Information Form filed with the Canadian Securities Administrators.*

Our forward-looking statements are based on various assumptions, many of which involve factors that are beyond our control. The material assumptions include those related to the following: production schedules from our customers, which generally range from 30 days to 90 days and can fluctuate significantly in terms of volume and mix of products or services; the timing and execution of, and investments associated with, ramping new business; the success in the marketplace of our customers' products; the stability of general economic and market conditions, currency exchange rates, and interest rates; our pricing, the competitive environment and contract terms and conditions; supplier performance, pricing and terms; compliance by third parties with their contractual obligations, the accuracy of their representations and warranties, and the performance of their covenants; the costs and availability of components, materials, services, plant and capital equipment, labor, energy and transportation; operational and financial matters including the extent, timing and costs of replacing revenue from completed or lost programs, or customer disengagements; technological developments; overall demand improvement in the semiconductor industry; revenue growth and improved financial results in our semiconductor and solar businesses; the timing, execution, and effect of restructuring actions; our having sufficient financial resources and working capital following consummation of the Term Loan to fund currently anticipated financial obligations and to pursue desirable business opportunities; and our ability to diversify our customer base and develop new capabilities. While management believes these assumptions to be reasonable under the current circumstances, they may prove to be inaccurate. Forward-looking statements speak only as of the date on which they are made, and 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, except as required by applicable law.

All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

Overview

What Celestica does:

We deliver innovative supply chain solutions globally to customers in the Communications (comprised of enterprise communications and telecommunications), Consumer, Diversified (comprised of aerospace and defense, industrial, healthcare, energy, and semiconductor equipment), Servers, and Storage end markets. We believe our services and solutions create value for our customers by accelerating their time-to-market, and by providing higher quality, lower cost and reduced cycle times in our customers' supply chains, resulting in lower total cost of ownership, greater flexibility, higher return on invested capital and improved competitive advantage for our customers in their respective markets.

Our global headquarters is located in Toronto, Canada. We operate a network of sites in various geographies with specialized end-to-end supply chain capabilities tailored to meet specific market and customer product lifecycle requirements. In an effort to drive speed, quality and flexibility for our customers, we execute our business in centers of excellence strategically located in North America, Europe and Asia. We strive to align our preferred suppliers in close proximity to these centers of excellence to increase the speed and flexibility of our supply chain, deliver higher quality products, and reduce time to market.

We offer a range of services to our customers, including design and development (such as our Joint Design and Manufacturing (JDM) offering, which is focused on developing design solutions in collaboration with customers, as well as managing aspects of the supply chain and manufacturing), engineering services, supply chain management, new product introduction, component sourcing, electronics manufacturing, assembly and test, complex mechanical assembly, systems integration, precision machining, order fulfillment, logistics and after-market repair and return services.

Although we supply products and services to over 100 customers, we depend upon a small number of customers for a substantial portion of our revenue. In the aggregate, our top 10 customers represented 67% of revenue for 2015 (2014 65%).

The products and services we provide serve a wide variety of applications, including: servers; networking and telecommunications equipment; storage systems; optical equipment; aerospace and defense electronics; healthcare products and applications; semiconductor equipment; and a range of industrial and alternative energy products, including solar panels and inverters.

In order to increase the value we deliver to our customers, we continue to make investments in people, value-added service offerings, new capabilities, capacity, technology, IT systems, software and tools. We continuously work to improve our productivity, quality, delivery performance and flexibility in our efforts to be recognized as one of the leading companies in the EMS industry.

Our current priorities include (i) evolving our customer and product portfolios in order to drive consistent revenue growth with strong operating margins, (ii) improving the operational performance of our diversified end market businesses, (iii) increasing investments in the front end of our business to accelerate growth, and (iv) continuing to generate strong annual free cash flow and return on invested capital ("ROIC"). We believe that continued investments in these areas support our long-term growth strategy, and will strengthen our competitive position, enhance customer satisfaction, and increase long-term shareholder value. We will continue to focus on expanding our revenue base in higher-value-added services, such as design and development, engineering, supply chain management and after-market services, and to grow our business with new and existing customers in our end markets. We will continue to focus on expanding our business beyond our traditional end markets, which today account for a substantial portion of our revenue.

Operating margin, ROIC and free cash flow are non-IFRS measures without standardized meanings and may not be comparable to similar measures presented by other companies. See "Non-IFRS measures" below for a discussion of the non-IFRS measures included herein, and a reconciliation of our non-IFRS measures to comparable IFRS measures (where a comparable IFRS measure exists).

Our financial results vary from period to period, and are impacted by factors such as changing demand for our customers' products in various end markets, our revenue and customer mix, changes in our customers' supply chain strategies, the size and timing of customer program wins by end market, the costs, terms, timing and execution of ramping new business, program completions, losses or customer disengagements, the margins achieved and capital deployed for the services we provide to customers, and other factors discussed below.

Overview of business environment:

The EMS industry is highly competitive, with multiple global EMS providers competing for customers and programs. Although the industry is characterized by a large revenue base and new business opportunities, demand can be volatile from period to period, and aggressive pricing is a common business dynamic. Capacity utilization, customer mix and the types of products and services we provide are important factors affecting our financial performance. The number and location of qualified personnel, manufacturing capacity, and the mix of business through that capacity are vital considerations for EMS providers. The EMS industry is also working capital intensive. As a result, we believe that ROIC (discussed in "Non-IFRS measures" below), which is primarily based on non-IFRS operating earnings and investments in working capital and equipment, is an important metric for measuring an EMS provider's financial performance.

EMS companies provide a range of services to a variety of customers and end markets. Demand patterns are volatile, making customer revenue and mix, and revenue by end market difficult to forecast. Product lifecycles in the markets we serve, production lead times required by our customers, rapid shifts in technology, model obsolescence, commoditization of certain products, the emergence of new business models, shifting patterns of demand, such as the shift from traditional network infrastructures to highly virtualized and cloud-based environments as well as the proliferation of software-defined networks and software-defined storage, increased competition and pricing pressure, and the volatility of the economy, are all contributing factors. The global economy and financial markets may negatively impact end market demand and the operations of EMS providers, including Celestica. Uncertainty in the global economy may impact current and future demand for our customers' products and services. We continue to monitor the dynamics and impacts of the global economic environment and work to manage our priorities, costs and resources to anticipate and prepare for any required changes.

External factors that could impact the EMS industry and our business include natural disasters and related disruptions, political instability, terrorism, armed conflict, labor or social unrest, criminal activity, disease or illness that affects local, national or international economies, unusually adverse weather conditions, and other risks present in the jurisdictions in which we, our customers, our suppliers, and/or our logistics partners operate. These types of events could disrupt operations at one or more of our sites or those of our customers, component suppliers and/or our logistics partners. These events could lead to higher costs or supply shortages or may disrupt the delivery of components to us, or our ability to provide finished products or services to our customers, any of which could adversely affect our operating results. We carry insurance to cover damage to our sites and interruptions to our operations, including those that may occur as a result of natural disasters, such as flooding and earthquakes, or other events. Our insurance policies, however, are subject to deductibles, coverage limitations and exclusions, and may not provide adequate coverage should such events occur.

Our business is also affected by customers who may shift production between EMS providers for a number of reasons, including pricing concessions, more favorable terms and conditions, their preference or need to consolidate their supply chain capacity or the number of supply chain partners, or consolidation among customers. Customers may also choose to accelerate the amount of business they outsource, insource previously outsourced business, or change the concentration or location of their EMS suppliers to better manage their supply continuity risk. These customer decisions may impact, among other items, our revenue and margins, the need for future restructuring, the level of capital expenditures and our cash flows.

Demand is volatile across our end markets. Our revenue and margins are impacted by overall end market demand, the timing, extent and pricing of new or follow-on business, including the costs, terms, timing and execution of ramping new business, and program completions, losses, or customer disengagements. Despite a continued challenging demand environment, we remain committed to making the investments we believe are required to support our long-term objectives and create shareholder value. These efforts include expanding our solar and aerospace and defense businesses, as well as our JDM offering. The costs of these investments and ramping activities may be significant and could negatively impact our margins in the short and medium term. Simultaneously, we intend to continue to manage our costs and resources to maximize our efficiency and productivity.

As we expand our business and open new sites, we may encounter difficulties that result in higher than expected costs associated with such activities. Potential difficulties related to such activities include our ability: to manage growth effectively; to maintain existing business relationships during periods of transition; to anticipate disruptions in our operations that may impact our ability to deliver to customers on time, produce quality products and ensure overall customer satisfaction; and to respond rapidly to changes in customer demand or volumes. We may also encounter difficulties in ramping and executing new programs. We may require significant investments to support these new programs, including increased working capital requirements, and may generate lower margins or losses during and/or following the ramp period. There can be no assurance that our increased investments will benefit us or result in business growth. As we pursue opportunities in new markets or technologies, we may encounter challenges due to our limited knowledge or experience. In addition, the success of new business models or programs depends on a number of factors including: understanding the new business or markets; timely and successful product development; market acceptance; the effective management of purchase commitments and inventory levels in line with anticipated demand; the development or acquisition of appropriate intellectual property and capital investments, to the extent required; the availability of materials in adequate quantities and at appropriate costs to meet anticipated demand; and the risk that new offerings may have quality or other defects in the early stages of introduction. Any of these factors could prevent us from realizing the anticipated benefits of growth in new markets or technologies, which could materially adversely affect our business and operating results.

Recent developments:

Semiconductor business

We acquired the semiconductor equipment contract manufacturing operations of Brooks Automation, Inc. (Brooks) in 2011 and D&H Manufacturing Company (D&H) in 2012 in order to expand our diversified end market offerings to include semiconductor capital equipment. Revenue from our semiconductor business for 2015 represented 6% (2014 5%) of our total revenue. The semiconductor market has historically been cyclical and impacted by, among other things, significant and often rapid changes in product demand, changes in customer requirements for new manufacturing capacity and technology transitions, significant expenditures for capital equipment and product development, and general economic conditions. Our semiconductor business has been negatively impacted by volatility in customer demand, the cost of our investments, operational inefficiencies, commercial challenges associated with a particular customer, and the costs, terms, timing and challenges of ramping new sites and programs. The negative impact of these factors resulted in the reduction of our long-term cash-flow projections used for our 2014 impairment assessment of our semiconductor business, and in the fourth quarter of 2014, we recorded a non-cash impairment charge of $40.8 million against the goodwill of this business. In 2015, however, revenue from our semiconductor business grew 21% compared to 2014, primarily as a result of improved customer demand (including from the customer noted above). In addition, we implemented restructuring actions in this business during 2015 to reduce its cost structure and improve its margin performance, including consolidating two of our semiconductor sites into a single location (see "Operating Results Other charges" below). As a result of these factors, we achieved improved operating results for this business in 2015 compared to 2014, which positively impacted our long-term cash flow projections for this business. As a result, after performing our 2015 annual impairment assessment, we determined that no impairment to the assets of this business was required at the end of 2015. Although we continue to make progress in addressing the inefficiencies and challenges which have affected our semiconductor business, these negative factors, combined with demand volatility in this market, may continue to adversely impact the revenue and profitability of this business, as well as our financial position and cash flows. Any failure to realize future revenues at an appropriate profit margin or failure to further improve the financial results of this business could result in additional impairment losses for our semiconductor business in future periods.

Other diversified end market developments

In order to support recent new program wins in our solar business and anticipated growth in global demand for solar energy, we are expanding our solar operations into Asia. Revenue from our solar business represented less than 5% of our total revenue for both 2015 and 2014. We made investments, which commenced in the second quarter of 2015, to establish competitive solar energy manufacturing capabilities in Asia. These investments included plant and capital equipment (including new leased equipment), as well as cash advances to an Asia-based solar cell supplier (Solar Supplier) to help secure our solar cell supply. The advances were used by the Solar Supplier to help finance the expansion of its manufacturing operations into Malaysia. See "Liquidity and Capital Resources Liquidity Cash requirements" below. Our solar business is dependent on the Solar Supplier to provide the majority of the solar cells required to support our global solar operations. During 2015, we also transitioned a portion of our solar operations from North America to Asia in support of our global solar expansion. The expansion of our solar business has been slower than anticipated, and we incurred higher than expected costs in this business in 2015, primarily due to ramping delays and operational inefficiencies at our new solar site in Asia, as well as challenges experienced by some of our suppliers (including the Solar Supplier) in meeting our ramp requirements. These negative factors impacted our output in 2015, adversely affecting the operating results of our solar business for the year. We continue to address these operational challenges and anticipate the ramping of our solar operations to be completed by the end of the second quarter of 2016. As a result, we expect losses in our solar business to continue through the first quarter of 2016. Any further delays in ramping or failure to resolve the operational challenges in a timely manner could result in further losses for this business in future periods.

We recently expanded our business relationship with one of our aerospace and defense customers whereby that customer had outsourced certain of its operations to us. This program transfer was completed in April 2015, and we currently manage the manufacturing and repair operations for certain product lines of this customer from its site in Ontario, Canada. We assumed the workforce assigned to these operations and purchased $27.6 million of inventory in connection with the program transfer in the second quarter of 2015. As with any business expansion, we may encounter difficulties in ramping and executing these new programs.

Conclusion of U.S. class action lawsuit and status of Canadian class action lawsuit

In the third quarter of 2015, the United States District Court for the Southern District of New York granted final approval to the settlement of the U.S. securities class action lawsuit. The settlement payment to the plaintiffs was paid by our liability insurance carriers.

In the fourth quarter of 2015, the Supreme Court of Canada released its decision in the parallel Canadian securities class action lawsuit that the statutory claims of the plaintiff and the class are barred by the applicable limitation period. Certification of the plaintiff's common law claims was denied in 2014, but the plaintiff has initiated a second motion to certify common law claims, which we believe is without merit. See "Litigation and contingencies" below.

Toronto Real Property Transaction

On July 23, 2015, we entered into an agreement of purchase and sale (the Property Sale Agreement) to sell our real property located in Toronto, Ontario, which includes the site of our corporate headquarters and our Toronto manufacturing operations, to a special purpose entity (the Property Purchaser) to be formed by a consortium of three real estate developers. Subject to completion of the transaction, the purchase price is approximately $137 million Canadian dollars ($98.5 million at year-end exchange rates), exclusive of applicable taxes and subject to adjustment in accordance with the terms of the Property Sale Agreement, including for certain density bonuses and other adjustments in accordance with usual commercial practice.

Upon execution of the Property Sale Agreement, the Property Purchaser paid us a cash deposit of $15 million Canadian dollars ($11.2 million at the then-prevailing exchange rate), which is non-refundable except in limited circumstances. Upon closing, which is subject to various conditions, including municipal approvals and is currently anticipated to occur within approximately two years from the execution date of the Property Sale Agreement, the Property Purchaser is to pay us an additional $53.5 million Canadian dollars in cash ($38.5 million at year-end exchange rates). The balance of the purchase price is to be satisfied upon closing by an interest-free, first-ranking mortgage in the amount of $68.5 million Canadian dollars ($49.3 million at year-end exchange rates) to be registered on title to the property and having a term of two years from the closing date. We have recorded the cash deposit in other non-current liabilities on our consolidated balance sheet and as cash provided by investing activities in our consolidated statement of cash flows.

As part of the Property Sale Agreement, we have agreed upon closing to enter into an interim lease for our existing corporate head office and manufacturing premises on a portion of the real estate for an initial two-year term on a rent-free basis (subject to certain payments including taxes and utilities), which is to be followed by a longer-term lease for Celestica's new corporate headquarters, on commercially reasonable arm's-length terms. There can be no assurance that this transaction will be completed within the expected time period, or at all. Should the transaction close, we expect to be able to find a replacement site on commercially acceptable terms for our Toronto manufacturing operations. However, there can be no assurance that this will be the case. See "Liquidity Cash requirements" below.

Approximately 30% of the interests in the Property Purchaser are to be held by a privately-held company in which Mr. Gerald Schwartz, a controlling shareholder and director of Celestica, has a material interest. Mr. Schwartz also has a non-voting interest in an entity which is to have an approximate 25% interest in the Property Purchaser. Given the interest in the transaction by a related party, our board of directors formed a Special Committee, consisting solely of independent directors, which retained its own independent legal counsel, to review and supervise a competitive bidding process. The Special Committee, after considering, among other factors, that the purchase price for the property exceeded the valuation provided by an independent appraiser, determined that the Property Purchaser's transaction terms were in the best interests of Celestica. Our board of directors, at a meeting where Mr. Schwartz was not present, approved the transaction based on the unanimous recommendation of the Special Committee.

Launch of a new normal course issuer bid (2016 NCIB):

On February 22, 2016, the TSX accepted our notice to launch a new NCIB. The 2016 NCIB allows us to repurchase, at our discretion, until the earlier of February 23, 2017 or the completion of purchases thereunder, up to approximately 10.5 million subordinate voting shares (representing approximately 7.3% of our total outstanding subordinate voting and multiple voting shares at the time of launch) in the open market or as otherwise permitted, subject to the normal terms and limitations of such bids. The maximum number of subordinate voting shares we are permitted to repurchase for cancellation under the 2016 NCIB will be reduced by the number of subordinate voting shares purchased during the term of the 2016 NCIB to satisfy obligations under our stock-based compensation plans.

Summary of 2015

Our consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB and accounting policies we adopted in accordance with IFRS. These consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary to present fairly our financial position as at December 31, 2015 and the financial performance, comprehensive income and cash flows for the year ended December 31, 2015. See "Critical Accounting Policies and Estimates" below.

The following table shows certain key operating results and financial information for the years indicated (in millions, except per share amounts):

	Year ended December 31		
	2013	**2014**	**2015**
Revenue	$ 5,796.1	$ 5,631.3	$ 5,639.2
Gross profit	389.5	405.4	391.1
Selling, general and administrative expenses (SG&A)	222.3	210.3	207.5
Other charges	4.0	37.1	35.8
Net earnings	$ 118.0	$ 108.2	$ 66.9
Diluted earnings per share	$ 0.64	$ 0.60	$ 0.42

	December 31 2013	December 31 2014	December 31 2015
Cash and cash equivalents	$ 544.3	$ 565.0	$ 545.3
Borrowings under credit facility			262.5
Total assets	2,638.9	2,583.6	2,612.0

Revenue of $5.6 billion for 2015 was flat compared to 2014. Compared to 2014, revenue dollars in 2015 from our storage end market increased 5%, primarily due to new program wins, in part driven by our JDM offering, and revenue dollars from our diversified end market increased 4%, primarily driven by new program wins, including the aerospace and defense program described above, and improved demand in our semiconductor business. Revenue dollars from our consumer end market (which comprised 3% of total revenue for 2015) decreased 33% compared to 2014, primarily due to program completions in the second half of 2014, as we continued to de-emphasize certain lower-margin business in our consumer portfolio. Revenue dollars from our communications end market and servers end market in 2015 were relatively flat compared to 2014. Communications and diversified continued to be our largest end markets, representing 40% and 29%, respectively, of total revenue for 2015.

Gross profit of $391.1 million (6.9% of total revenue) for 2015 decreased 4% compared to $405.4 million (7.2% of total revenue) for 2014, primarily due to higher than expected costs of ramping new programs, particularly the ramping of our new solar business in Asia (discussed above). This, combined with the impact of changes in program mix and losses at our sites in Japan and Spain (see "Other charges" below), more than offset the gross profit improvements we made in our semiconductor business during 2015. SG&A for 2015 of $207.5 million decreased slightly compared to $210.3 million for 2014. Other charges of $35.8 million for 2015 were comprised primarily of $23.9 million in restructuring charges and $12.2 million in non-cash impairment charges on property, plant and equipment pertaining to our sites in Japan and Spain (see "Other charges" below). Other charges of $37.1 million for 2014 were comprised primarily of our non-cash goodwill impairment charges related to our semiconductor business. Net earnings for 2015 of $66.9 million were $41.3 million lower compared to 2014, primarily due to higher income tax expense in 2015, in part due to higher taxable foreign exchange impacts in 2015 (see "Operating Results Income taxes" below), and increased stock-based compensation expense (see "Operating Results Stock-based compensation" below).

Our cash and cash equivalents at December 31, 2015 were $545.3 million (December 31, 2014 $565.0 million). Our non-IFRS free cash flow for 2015 was $113.2 million compared to $177.4 million for 2014, primarily due to a reduction in cash provided by operating activities in 2015, and $26.5 million in net cash advances we made to the Solar Supplier during 2015 (see "Liquidity and Capital Resources Liquidity" below). At December 31, 2015, we had an aggregate of $262.5 million outstanding (December 31, 2014 no amounts outstanding) under our credit facility (including the Term Loan), and $50.0 million of accounts receivable (A/R) were sold under our A/R sales facility and de-recognized from our accounts receivable balance (December 31, 2014 $50.0 million of A/R).

We have repurchased subordinate voting shares in the open market and otherwise for cancellation in recent years pursuant to normal course issuer bids (NCIBs), which allow us to repurchase a limited number of subordinate voting shares during a specified period, and from time to time pursuant to substantial issuer bids, including the SIB described below. As part of the NCIB process, we have entered into Automatic Share Purchase Plans (ASPPs) with brokers, which allow such brokers to purchase our subordinate voting shares in the open market on our behalf, for cancellation under our NCIBs (including during any applicable trading blackout periods). In addition, we have entered into program share repurchases (PSRs) as part of the NCIB process, pursuant to which we make a prepayment to a broker in consideration for the right to receive a variable number of subordinate voting shares upon such PSR's completion. Under such PSRs, the price and number of subordinate voting shares to be repurchased by us is determined based on a discount to the volume weighted-average market price of our subordinate voting shares during the term of the PSR, subject to certain terms and conditions. The subordinate voting shares repurchased under any PSR are cancelled upon completion of each PSR under the NCIB. The maximum number of subordinate voting shares we are permitted to repurchase for cancellation under each NCIB is reduced by the number of subordinate voting shares we purchase in the open market during the term of such NCIB to satisfy obligations under our stock- based compensation plans.

On September 9, 2014, the Toronto Stock Exchange (TSX) accepted our notice to launch an NCIB (the 2014 NCIB), which allowed us to repurchase, at our discretion, until the earlier of September 10, 2015 or the completion of purchases thereunder, up to approximately 10.3 million subordinate voting shares (representing approximately 5.8% of our total multiple voting shares and subordinate voting shares outstanding at the time of launch) in the open market or as otherwise permitted, subject to the normal terms and limitations of such bids. On January 28, 2015, we completed a $50.0 million PSR (which we funded in December 2014), pursuant to which we repurchased and cancelled 4.4 million subordinate voting shares at a weighted average price of $11.38 per share. Subsequent to the completion of this PSR, we paid $19.8 million (including transaction fees) to repurchase and cancel an additional 1.7 million subordinate voting shares under the 2014 NCIB (prior to its expiry in September 2015) at a weighted average price of $11.66 per share. We repurchased and cancelled an aggregate of 9.0 million subordinate voting shares during the term of the 2014 NCIB. The maximum number of subordinate voting shares we were permitted to repurchase for cancellation under the 2014 NCIB was reduced by 0.5 million subordinate voting shares we purchased in the open market during the term of the 2014 NCIB to satisfy obligations under our stock-based compensation plans.

In the second quarter of 2015, we launched and completed a $350.0 million substantial issuer bid (the SIB), pursuant to which we repurchased and cancelled approximately 26.3 million subordinate voting shares at a price of $13.30 per share, representing approximately 15.5% of our total multiple voting shares and subordinate voting shares issued and outstanding prior to its completion. We funded the share repurchases in June 2015 using the proceeds of the $250.0 million Term Loan (defined below), $25.0 million drawn on our revolving credit facility, and $75.0 million of cash on hand. We made two scheduled quarterly principal repayments totaling $12.5 million under the Term Loan during the second half of 2015. See "Liquidity and Capital Resources Liquidity Cash requirements" below.

Summary of 2014

Revenue of $5.6 billion for 2014 decreased 3% from 2013. Compared to 2013, revenue dollars in 2014 from our communications end market decreased 7%, primarily due to weaker demand from certain customers and program completions during 2014; revenue dollars from our server end market decreased 25%, primarily due to the insourcing of a lower margin server program by one of our existing customers in 2013 and overall demand weakness in this end market; and revenue dollars from our consumer end market decreased 29%, primarily due to program completions as we continued to de-emphasize the lower margin business in our consumer portfolio. These decreases were offset in part by a 7% increase in revenue from our diversified end market and a 26% increase in revenue from our storage end market in 2014 compared to 2013. Compared to 2013, the revenue increase in our diversified end market in 2014 was driven primarily by new program wins in our industrial and semiconductor businesses, offset in part by demand weakness in our solar business; and the revenue increase in our storage end market was primarily due to new programs we launched in 2014, in part driven by our JDM offering. Communications and diversified were our largest end markets for 2014, representing 40% and 28%, respectively, of total revenue for the year.

Despite the revenue decrease in 2014, gross profit increased 4% to $405.4 million (7.2% of total revenue) for 2014 from $389.5 million (6.7% of total revenue) for 2013, primarily as a result of our continued focus on cost containment, as well as improved program mix as we de-emphasized the lower margin portion of our server and consumer businesses. SG&A for 2014 decreased 5% to $210.3 million from $222.3 million for 2013, primarily due to our overall spending reductions in 2014, mostly driven by savings in compensation and related expenses resulting from headcount reductions attributable to our previous restructuring actions. Net earnings for 2014 of $108.2 million were $9.8 million lower compared to $118.0 million for 2013, primarily due to a $40.8 million non-cash goodwill impairment charge and a $6.4 million non-cash settlement loss related to one of our pension plans (discussed below), which more than offset our gross profit improvement and our SG&A savings discussed above. In 2013, we also recorded higher restructuring charges and a higher amount of recoveries related to the settlement of certain class action lawsuits in which we were a plaintiff.

In August 2014, we liquidated the asset portfolio for the defined benefit component of a pension plan for certain Canadian employees, following which substantially all of the proceeds were used to purchase annuities from insurance companies for plan participants. The purchase of the annuities resulted in the insurance companies assuming responsibility for payment of the defined benefit pension benefits under the plan, and the employer substantially eliminating financial risk in respect of these obligations. We re-measured the pension assets and liabilities relating to this pension plan immediately before the purchase of the annuities, and recorded a net re-measurement actuarial gain of $2.3 million in other comprehensive income during 2014 that was subsequently reclassified to deficit in the same period. The purchase of the annuities also resulted in a non-cash settlement loss of $6.4 million which we recorded in other charges in our consolidated statement of operations in 2014. For accounting purposes, on a gross-basis, we reduced the value of our pension assets by $149.8 million, and the value of our pension liabilities by $143.4 million as of the date of the annuity purchase.

In August 2014, we completed an NCIB launched in August 2013 (the 2013 NCIB), which allowed us to repurchase, at our discretion, up to approximately 9.8 million subordinate voting shares in the open market, or as otherwise permitted. During 2014, we paid $59.6 million (including transaction fees) to repurchase and cancel 5.5 million subordinate voting shares at a weighted average price of $10.82 per share under the 2013 NCIB, including 4.0 million subordinate voting shares repurchased pursuant to two PSRs and 0.9 million subordinate voting shares repurchased pursuant to an ASPP completed during the term of the 2013 NCIB. The maximum number of subordinate voting shares we were permitted to repurchase for cancellation under the 2013 NCIB was reduced by 0.3 million subordinate voting shares we purchased in the open market during the term of the 2013 NCIB to satisfy obligations under our stock-based compensation plans.

During 2014, we also paid $31.0 million (including transaction fees) to repurchase and cancel 2.9 million subordinate voting shares under the 2014 NCIB at a weighted average price of $10.53 per share. In

December 2014, we paid $50.0 million to a broker under a PSR that we completed in January 2015 (discussed above).

During 2014, we repurchased an aggregate of 8.5 million subordinate voting shares for cancellation pursuant to our 2013 and 2014 NCIBs.

Other performance indicators:

In addition to the key operating results and financial information described above, management reviews the following non-IFRS measures:

	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15
Cash cycle days:								
Days in A/R	45	43	46	44	47	42	43	40
Days in inventory	61	54	54	52	56	54	58	53
Days in A/P	(58)	(53)	(55)	(52)	(56)	(54)	(55)	(51)
Cash cycle days	48	44	45	44	47	42	46	42
Inventory turns	6.0x	6.8x	6.8x	7.1x	6.6x	6.7x	6.3x	6.9x

	2014				2015			
	March 31	June 30	September 30	December 31	March 31	June 30	September 30	December 31
Amount of A/R sold (in millions)	$ 60.0	$ 60.0	$ 50.0	$ 50.0	$ 50.0	$ 55.0	$ 50.0	$ 50.0

Days in A/R is calculated as the average A/R for the quarter divided by the average daily revenue. Days in inventory is calculated as the average inventory for the quarter divided by the average daily cost of sales. Days in accounts payable (A/P) is calculated as the average A/P for the quarter divided by average daily cost of sales. Cash cycle days is calculated as the sum of days in A/R and days in inventory, minus the days in A/P. Inventory turns is calculated as 365 divided by the number of days in inventory. A lower number of days in A/R, days in inventory, and cash cycle days, and a higher number of days in A/P and inventory turns generally reflect improved cash management performance. These non-IFRS measures do not have comparable measures under IFRS to which we can reconcile.

Cash cycle days for the fourth quarter of 2015 of 42 days decreased 2 days compared to the fourth quarter of 2014 as a result of a 4-day reduction in days in A/R, offset in part by a 1-day increase in days in inventory and a 1-day decrease in days in A/P. Compared to the same period in 2014, the decrease in days in A/R was primarily due to a change in revenue mix from customers with different payment terms, as well as improved A/R collections in the fourth quarter of 2015.

Compared to the third quarter of 2015, cash cycle days decreased 4 days in the fourth quarter of 2015 as a result of a 3-day decrease in days in A/R and a 5-day decrease in days in inventory, offset in part by a 4-day decrease in days in A/P. Compared to the previous quarter, the decrease in days in A/R was primarily due to improved A/R collections, the decrease in inventory was primarily due to improved inventory management and higher than expected customer demand at year end, and the decrease in days in A/P was primarily due to the timing of purchases and payments in the respective quarters.

We believe that cash cycle days (and the components thereof) and inventory turns are useful measures in providing investors with information regarding our cash management performance and are accepted measures of working capital management efficiency in our industry. These are not measures of performance under IFRS, and may not be defined and calculated in the same manner by other companies. These measures should not be considered in isolation or as an alternative to working capital as an indicator of performance.

Management reviews other non-IFRS measures including adjusted net earnings, operating margin, ROIC and free cash flow. See "Non-IFRS measures" below.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses and the related disclosures of contingent assets and liabilities. Actual results could differ materially from these estimates and assumptions. We review our estimates and underlying assumptions on an ongoing basis and make revisions as determined necessary by management. Revisions are recognized in the period in which the estimates are revised and may impact future periods as well. Significant accounting policies and methods used in the preparation of our consolidated financial statements are described in note 2 to our 2015 audited consolidated financial statements.

Key sources of estimation uncertainty and judgment: We have applied significant estimates and assumptions in the following areas which we believe could have a significant impact on our reported results and financial position: our valuations of inventory, assets held for sale and income taxes; the amount of our restructuring charges or recoveries; the measurement of the recoverable amounts of our cash generating units (CGUs, as defined below), which includes estimating future growth, profitability and discount rates, and the fair value of our real property; our valuations of financial assets and liabilities, pension and non-pension post-employment benefit costs, employee stock-based compensation expense, provisions and contingencies; and the allocation of the purchase price and other valuations related to our business acquisitions.

We define a CGU as the smallest identifiable group of assets that cannot be tested individually and that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs can be comprised of a single site, a group of sites, or a line of business.

We have also applied significant judgment in the following areas: the determination of our CGUs and whether events or changes in circumstances during the year are indicators that a review for impairment should be conducted, and the timing of the recognition of charges and recoveries associated with our restructuring actions. The near-term economic environment could also impact certain estimates necessary to prepare our consolidated financial statements, in particular, the estimates related to the recoverable amounts used in our impairment testing of our non-financial assets (see note 15(b) to our 2015 audited consolidated financial statements), and the discount rates applied to our net pension and non-pension post-employment benefit assets or liabilities (see note 18 to our 2015 audited consolidated financial statements). Prior to our 2015 annual impairment assessment of goodwill, intangible assets and property, plant and equipment, we did not identify any triggering event during the course of 2015 that would indicate the carrying amount of our CGUs may not be recoverable (see "Other charges" below).

Inventory valuation:

We procure inventory and manufacture based on specific customer orders and forecasts and value our inventory on a first-in, first-out basis at the lower of cost and net realizable value. The cost of our finished goods and work-in-progress includes direct materials, labor and overhead. We may require valuation adjustments if actual market conditions or demand for our customers' products are less favorable than originally projected. The determination of net realizable value involves significant management judgment. We consider factors such as shrinkage, the aging of and future demand for the inventory, and contractual arrangements with customers. We attempt to utilize excess inventory in other products we manufacture or return inventory to the relevant suppliers or customers. We use future sales volume forecasts to estimate excess inventory on-hand. A change to these assumptions may impact our inventory valuation and our gross margins. Should circumstances change, we may adjust our previous write-downs in our consolidated statement of operations in the period a change in estimate occurs.

Income taxes:

We record an income tax expense or recovery based on income earned or loss incurred in each tax jurisdiction where we operate at the enacted or substantively enacted tax rate applicable to that income or loss. In the ordinary course of business, there are many transactions for which the ultimate tax outcome is uncertain and estimates are required for exposures related to examinations by taxation authorities. We review these transactions and exposures and record tax liabilities for open years based on our assessment of many factors, including past experience and interpretations of tax law applied to the facts of each matter. The determination of tax liabilities is subjective and generally involves a significant amount of judgment. We believe that our income tax liability reflects the probable outcome of our income tax obligations based on known facts and circumstances; however, the final income tax outcome may be different from our estimates. A change to these estimates could impact our income tax provision.

We recognize deferred income tax assets to the extent we believe it is probable that the amount will be realized. We consider factors such as the reversal of taxable temporary differences, 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 amount of deferred income tax assets we recognize.

Goodwill, intangible assets and property, plant and equipment:

We estimate the useful lives of intangible assets and property, plant and equipment based on the nature of the asset, historical experience, the projected period of future economic benefits to be provided by the assets, the terms of any related customer contract, and expected changes in technology. We review the carrying amounts of goodwill, intangible assets and property, plant and equipment for impairment on an annual basis and whenever events or changes in circumstances (triggering events) indicate that the carrying amount of an asset or CGU may not be recoverable. If any such indication exists, we test the carrying amount of an asset or a CGU for impairment. Absent triggering events during the year, we conduct our annual impairment assessment in the fourth quarter of the year to correspond with our annual planning cycle. Judgment is required in the determination of our CGUs and whether events or changes in circumstances during the year are indicators that a review for impairment should be conducted prior to the annual assessment.

We recognize an impairment loss when the carrying amount of an asset, CGU or group of CGUs exceeds its recoverable amount. The recoverable amount of an asset, CGU or group of CGUs is measured as the greater of its value-in-use and its fair value less costs to sell. The process of determining the recoverable amount is subjective and requires management to exercise significant judgment in estimating future growth, profitability and discount rates, and in projecting future cash flows, among other factors. The process of determining fair value less costs to sell requires valuations and use of appraisals. Where applicable, we engage independent brokers to obtain market prices to estimate our real property values. We recognize impairment losses in our consolidated statement of operations. We first allocate impairment losses in respect of a CGU or group of CGUs to reduce the carrying amount of its goodwill, and then to reduce the carrying amount of other assets in such CGU or group of CGUs generally on a pro rata basis. See notes 8 and 15(b) to our 2015 audited consolidated financial statements for a description of an impairment charge to property, plant and equipment recorded for the year ended December 31, 2015.

We do not reverse impairment losses for goodwill in future periods. We reverse impairment losses for property, plant and equipment and intangible assets, if the losses we recognized in prior periods no longer exist or have decreased. At each reporting date, we review for indicators that could change the estimates we used to determine the recoverable amount of the relevant assets. The amount of any reversal is limited to restoring the carrying amount to the amount that would have been determined, net of depreciation or amortization, had we recognized no impairment loss in prior periods.

Restructuring charges:

We incur restructuring charges relating to workforce reductions, site consolidations and costs associated with exiting businesses. Our restructuring charges include employee severance and benefit costs, gains, losses or impairments related to owned sites and equipment we no longer use and which are available for sale, impairment of related intangible assets, and costs related to leased sites and equipment we no longer use.

The recognition of restructuring charges requires management to make certain judgments and estimates regarding the nature, timing and amounts associated with our restructuring plans. Our major assumptions include the number of employees to be terminated and the timing of such terminations, the measurement of termination costs, the timing and amount of lease obligations, and the timing of disposition and estimated fair values less costs to sell of assets we no longer use and which are available for sale. We develop detailed plans and recognize employee termination costs in the period the employees are informed of their termination. For owned sites and equipment that are no longer in use and are available for sale, we recognize an impairment loss based on the fair value less costs to sell, with fair value estimated based on market prices for similar assets. We may engage independent third parties to determine the fair value less costs to sell for these assets. For leased sites that we have vacated, we discount the lease obligation based on future lease payments net of estimated sublease income, if any. We recognize the change in provisions due to the passage of time as finance costs. To estimate future sublease income, we engage independent brokers to determine the estimated tenant rents we can expect to realize. At the end of each reporting period, we evaluate the appropriateness of the remaining balances. Adjustments to the recorded amounts may be required to reflect actual experience or changes in future estimates. See note 15(a) to our 2015 audited consolidated financial statements.

Pension and non-pension post-employment benefits:

We have pension and non-pension post-employment benefit costs and liabilities that are determined from actuarial valuations. Actuarial valuations require management to make certain judgments and estimates relating to salary escalation, compensation levels at the time of retirement, retirement ages, the discount rate used in measuring the net interest on the net defined benefit asset or liability, and expected healthcare costs (as applicable). These actuarial assumptions could change from period-to-period and actual results could differ materially from the estimates originally made by management. The fair values of our pension assets were based on a measurement date of December 31, 2015. We evaluate our assumptions on a regular basis, taking into consideration current market conditions and historical data. Market driven changes may affect the actual rate of return on plan assets compared to our assumptions, as well as our discount rates and other variables which could cause actual results to differ materially from our estimates. Changes in assumptions could impact our pension plan valuations and our future pension expense and required funding. See notes 2(n) and 18 to our 2015 audited consolidated financial statements.

Stock-based compensation:

We recognize the grant date fair value of options granted to employees as compensation expense in our consolidated statement of operations, with a corresponding charge to contributed surplus on our consolidated balance sheet, over the vesting period. We adjust compensation expense to reflect the estimated number of options we expect to vest at the end of the vesting period. When options are exercised, we credit the proceeds to capital stock on our consolidated balance sheet. We measure the fair value of options using the Black-Scholes option pricing model. Measurement inputs include the price of our subordinate voting shares on the grant date, the exercise price of the option, and our estimates of the following: expected price volatility of our subordinate voting shares (based on weighted average historic volatility), weighted average expected life of the option (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate.

The cost we record for restricted share units (RSUs), for all performance share units (PSUs) granted prior to 2011, and for 40% of the PSUs granted commencing in 2013, is based on the market value of our subordinate voting shares at the time of grant. The cost we record for these PSUs, which vest based on a non-market performance condition related to the achievement of pre-determined financial targets over a specified period, is based on our estimate of the outcome of such performance condition. We adjust the cost of these PSUs as new facts and circumstances arise; the timing of these adjustments is subject to judgment. We generally record adjustments to the cost of these PSUs during the last year of the three-year term based on management's estimate of the level of achievement of such performance condition. We amortize the cost of RSUs and these PSUs to compensation expense in our consolidated statement of operations, with a corresponding charge to contributed surplus in our consolidated balance sheet, over the vesting period. Historically, we have generally settled these awards with subordinate voting shares purchased in the open market by a trustee, or by issuing subordinate voting shares from treasury. However, we have also cash-settled certain awards (as permitted by the applicable plan) which we accounted for as liabilities and re-measured them based on our share price at each reporting date and at the settlement date, with a corresponding charge or recovery in our consolidated statement of operations.

We determine the cost we record for all PSUs granted in 2011 and 2012, and 60% of the PSUs granted commencing in 2013, using a Monte Carlo simulation model. The number of awards expected to vest is factored into the grant date Monte Carlo valuation for the award. The number of these PSUs that will vest depends on the level of achievement of a market performance condition, over a three-year period, based on our total shareholder return (TSR) relative to the TSR of a pre-defined group of companies. We do not adjust the grant date fair value regardless of the eventual number of awards that vest based on the level of achievement of the market performance condition. We recognize compensation expense in our consolidated statement of operations on a straight-line basis over the requisite service period and we reduce this expense for the estimated PSU awards that are not expected to vest because the employment conditions are not expected to be satisfied.

We grant deferred share units (DSUs) to certain members of our Board of Directors as part of their compensation, which in 2015 was comprised of an annual equity award, an annual retainer, and meeting fees. In the case of the annual equity award, which is granted in equal amounts each quarter, the number of DSUs we grant is determined by dividing the dollar value of the award by the closing price of our subordinate voting shares on the New York Stock Exchange ("NYSE") on the last business day of the quarter. In the case of the annual retainer and meeting fees, the number of DSUs we granted was determined by dividing either 50% or 100% (depending on the election made by each director), of the dollar value of the retainer and fees earned in the quarter by the closing price of our subordinate voting shares on the NYSE on the last business day of the quarter. Each DSU represents the right to receive one subordinate voting share or an equivalent value in cash after the individual ceases to serve as a director. For DSUs granted prior to January 1, 2007, we may settle these share units with subordinate voting shares issued from treasury or purchased in the open market, or with cash. For DSUs granted after January 1, 2007, we may only settle these share units with subordinate voting shares purchased in the open market or with cash. We expense the cost of DSUs through SG&A in our consolidated statement of operations in the period the services are rendered. Commencing January 1, 2016, separate meeting fees and the annual equity award were eliminated, replaced by a flat fee annual retainer, and either 75% or 100% (depending on the election by each director) of such retainer (plus travel fees) is payable in DSUs. In addition, our Board of Directors has the discretion to grant supplemental equity awards to individual directors as deemed appropriate.

Operating Results

Our annual and quarterly operating results, incl