

CELESTICA INC  
Form 20-F  
March 12, 2018

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

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FORM 20-F

☐ Registration statement pursuant to Section 12(b) or (g)  
of the Securities Exchange Act of 1934

or

☒ Annual report pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2017

or

☐ Transition report pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

or

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

Date of event requiring this shell company report:

Commission file number: 1-14832

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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)

Paul Carpino

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)

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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:
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Subordinate Voting Shares	The Toronto Stock Exchange
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	New York Stock Exchange
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SECURITIES REGISTERED OR TO BE REGISTERED

PURSUANT TO SECTION 12(g) OF THE ACT:

N/A

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

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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.

123,208,647 Subordinate Voting Shares 0 Preference Shares

18,600,193 Multiple Voting Shares

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

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

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

Indicate by check mark whether the registrant 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 ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐

Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards<sup>†</sup> provided pursuant to Section 13(a) of the Exchange Act. ☐

<sup>†</sup>The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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

U.S. GAAP ☐

International Financial Reporting Standards as issued by the International Accounting

Standards Board ☐

Other ☐

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 ☐ Item 18 ☐

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

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Part I.

In this Annual Report on Form 20-F for the year ended December 31, 2017 (referred to herein as "this Annual Report"), "Celestica," the "Corporation," the "Company," "we," "us" and "our" refer to Celestica Inc. and its subsidiaries.

In this Annual Report, all dollar amounts are expressed in United States dollars, except where we state otherwise. All references to "U.S.\$" or "\$" are to United States 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, 2017. 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 U.S. Federal Reserve Bank, the average daily exchange rate was U.S.\$1.00 = C\$1.2984.

Unless we indicate otherwise, all information in this Annual Report is stated as of February 14, 2018.

Forward-Looking Statements

Item 3, "Key Information — Risk Factors," 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 U.S. Securities Act of 1933, as amended, or the U.S. Securities Act, Section 21E of the U.S. 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, including in our Advanced Technology Solutions (ATS) businesses; trends in the electronics manufacturing services (EMS) industry; our anticipated financial and/or operational results (including our anticipated non-IFRS operating margin performance during the second half of 2018); our anticipated acquisition of Atrenne Integrated Solutions, Inc. (Atrenne), the expected timing, cost, terms and funding thereof, and the expected impact of such acquisition, if consummated, on our position in the aerospace and defense and industrial markets; our goals with respect to broadening our portfolio of ATS products and services and growing our ATS business (including aerospace and defense); our diversification plans (and potential hindrances thereto); the impact of acquisitions and program wins or losses on our liquidity, financial results and working capital requirements; anticipated expenses, restructuring actions and charges, capital expenditures, and other anticipated working capital requirements, including the anticipated amounts, timing and funding thereof; the anticipated repatriation of undistributed earnings from foreign subsidiaries; the impact of tax and litigation outcomes; our cash flows, financial targets and current priorities; intended investments in our business; 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 pace of technological changes, customer outsourcing and program transfers, and the global economic environment on customer demand; the impact of increased competition, pricing and margin pressures, demand volatility, and materials constraints on our financial results, and the expected continuation of such adverse market conditions in our Enterprise and Communications end markets; raw materials prices; our intention to settle outstanding equity awards with subordinate voting shares; the number of subordinate voting shares we may repurchase under our normal course issuer bid (NCIB); the expected timing of the collection of outstanding solar accounts receivable and the possibility of future write-downs on unrecovered amounts from such solar accounts receivable and other solar assets; the expected timing of the sale of our solar panel manufacturing equipment; the impact of outstanding indebtedness under our credit facility 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 new corporate headquarters (collectively, the Toronto Real Property Transactions); the cost, timing and execution of relocating our existing Toronto manufacturing operations and the anticipated temporary relocation of our corporate headquarters while space in a new office building is under construction; the potential impact of Britain's intention to leave the European Union (Brexit) and/or policies or legislation proposed or instituted by the current administration in the U.S. on the economy, financial markets, currency exchange rates and our business; the anticipated impact of the U.S. Tax Reform (as defined herein) on our operations and our global tax rate; our expectations with respect to future pioneer incentives for limited portions of our Malaysian business; the impact of new wins, recent program transfers, and acquisitions; the anticipated impact of new accounting standards on our consolidated financial statements and the timing of related transition activities; the

impact of longer-term contacts; our expectations with respect to increasing fulfillment services offered to customers; our intentions with respect to our U.K Supplementary pension plan; and the potential use of cash, securities issuances and/or increased third-party indebtedness to fund our operations or acquisitions, and the potential adverse impacts of such uses on our liquidity, subordinate voting share price, debt leverage, agency ratings, business and/or operations. 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;
- customer and end market concentration and the challenges of diversifying our customer base and replacing revenue from completed or lost programs or customer disengagements;
- changes in our mix of customers and/or the types of products or services we provide;
- higher concentration of fulfillment services and/or other lower margin programs impacting gross profit;
- price, margin pressures, and other competitive factors generally affecting, and the highly competitive nature of, the EMS industry;
- price and other competitive factors affecting our Communications and Enterprise end markets;
- 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, competitor and/or supplier consolidation;
- integrating any acquisitions or strategic transactions (including "operate-in-place" arrangements);
- our having sufficient financial resources and working capital to fund currently anticipated financial obligations and to pursue desirable business opportunities, and potential negative impacts on our liquidity, financial condition and/or results of operations resulting from significant uses of cash and/or any future securities issuances or increased third-party indebtedness for acquisitions or to otherwise fund our operations;
- delays in the delivery and availability of components, services and materials, including from suppliers upon which we are dependent for certain components;
- our restructuring actions, including achieving the anticipated benefits therefrom, and the potential negative impact of transitions resulting from our restructuring actions on our operations;
- the incurrence of future impairment charges or other write-downs of assets;
- managing our operations, growth initiatives and our working capital performance during uncertain market and economic conditions;
- disruptions to our operations, or those of our customers, component suppliers and/or logistics partners, including as a result of global or local events outside our control (including as a result of Brexit and/or policies or legislation proposed or instituted by the current U.S. administration, including the impact of the U.S. Tax Reform on our operations, or those of our customers, component suppliers and/or logistics partners);
- retaining or expanding our business due to execution issues relating to the ramping of new and existing programs or new offerings;
- the expansion or consolidation of our operations;
- recruiting or retaining skilled talent;
- changes to our operating model;
- changing commodity, material and component costs as well as labor costs and conditions;
- defects or deficiencies in our products, services or designs;

non-performance by counterparties, including our former solar supplier, from whom we have accounts receivable outstanding;  
 our financial exposure to foreign currency volatility, including fluctuations that may result from Brexit and/or policies or legislation proposed or instituted by the current U.S. administration;  
 managing our global operations and supply chain;  
 the failure to obtain (or a delay in obtaining) the necessary regulatory approvals or the failure to satisfy the other closing conditions required for our purchase of Atrenne, a material adverse change at Atrenne, the failure to consummate our purchase of Atrenne in a timely manner or at all, our failure to obtain adequate funding for the acquisition on acceptable terms, the purchase price varying from the expected amount, and if the acquisition is consummated, a failure to achieve the anticipated benefits therefrom, to successfully integrate the acquisition, to further develop our capabilities in the aerospace and defense market or otherwise expand our portfolio of solutions, and/or to achieve the other expected benefits from the acquisition;  
 our dependence on industries affected by rapid technological change;  
 any failure to adequately protect our intellectual property or the intellectual property of others;  
 increasing income and other taxes, tax audits, and challenges of defending our tax positions, and obtaining, renewing or meeting the conditions of tax incentives and credits;  
 the potential that conditions to closing the Toronto Real Property Transactions may not be satisfied on a timely basis or at all;  
 the costs, timing and/or execution of relocating our existing Toronto manufacturing operations and/or corporate headquarters proving to be other than anticipated;  
 computer viruses, malware, hacking attempts or outages that may disrupt our operations;  
 the variability of revenue and operating results;  
 compliance with applicable laws, regulations, government grants and social responsibility initiatives; and  
 current or future litigation, governmental actions, and/or changes in legislation.

These and other material risks and uncertainties are discussed in our public filings, which can be found at [www.sedar.com](http://www.sedar.com) and [www.sec.gov](http://www.sec.gov), including in this Annual Report, and subsequent reports on Form 6-K furnished to the U.S. Securities and Exchange Commission, and as applicable, 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 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, including new business associated with acquisitions;  
 the successful pursuit, completion and integration of acquisitions;  
 the success in the marketplace of our customers' products;  
 the pace of change in our traditional end markets and our ability to retain programs and customers;  
 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;

that the impact of the U.S. Tax Reform on our operations will be as we currently anticipate;

our ability to recover accounts receivable outstanding from a former solar supplier;

the timing, execution and effect of restructuring actions;

our having sufficient financial resources and working capital to fund currently anticipated financial obligations and to pursue desirable business opportunities;

our ability to diversify our customer base and develop new capabilities;

the availability of cash resources for repurchases of outstanding subordinate voting shares under our current NCIB; and compliance with applicable laws and regulations pertaining to NCIBs; and

applicable regulatory approvals will be obtained and the other closing conditions to our purchase of Atrenne will be satisfied in a timely manner, that our purchase of Atrenne will be consummated in a timely manner and on anticipated terms, that internal cash flow and our ability to incur further indebtedness under our revolving credit facility will be as expected in order to finance the Atrenne acquisition as anticipated, and that, once acquired, we are able to successfully integrate Atrenne, further develop our capabilities in the aerospace and defense market, expand our portfolio of solutions, and achieve the other expected benefits from the acquisition.

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. No dividends have been declared by the Corporation.

	Year ended December 31				
	2013	2014	2015	2016	2017
	(in millions, except per share amounts)				
Consolidated Statements of Operations Data <sup>(1)</sup> :					
Revenue	\$5,796.1	\$5,631.3	\$5,639.2	\$6,016.5	\$6,110.5
Cost of sales <sup>(1)</sup>	5,406.6	5,225.9	5,248.1	5,588.9	5,692.7
Gross profit <sup>(1)</sup>	389.5	405.4	391.1	427.6	417.8
Selling, general and administrative expenses (SG&A), including research and development <sup>(2)</sup>	239.7	230.0	230.7	236.0	229.4
Amortization of intangible assets	12.2	10.6	9.2	9.4	8.9
Other charges <sup>(3)</sup>	4.0	37.1	35.8	25.5	37.0
Earnings from operations <sup>(1)</sup>	133.6	127.7	115.4	156.7	142.5
Refund interest income <sup>(4)</sup>	—	—	—	(14.3)	—
Finance costs <sup>(5)</sup>	2.9	3.1	6.3	10.0	10.1
Earnings before income taxes <sup>(1)</sup>	130.7	124.6	109.1	161.0	132.4
Income tax expense	12.7	16.4	42.2	24.7	27.4
Net earnings <sup>(1)</sup>	\$118.0	\$108.2	\$66.9	\$136.3	\$105.0
Other Financial Data:					
Basic earnings per share	\$0.64	\$0.61	\$0.43	\$0.96	\$0.73
Diluted earnings per share	\$0.64	\$0.60	\$0.42	\$0.95	\$0.72
Property, plant and equipment and computer software cash expenditures	\$52.8	\$61.3	\$62.8	\$64.1	\$102.6
Shares used in computing per share amounts (in millions):					
Basic	183.4	178.4	155.8	141.8	143.1
Diluted	185.4	180.4	157.9	143.9	145.2

As of December 31  
2013 2014 2015 2016 2017  
(in millions)

## Consolidated Balance Sheet Data

Cash and cash equivalents	\$544.3	\$565.0	\$545.3	\$557.2	\$515.2
Working capital <sup>(6)</sup>	1,011.3	1,049.9	990.6	1,100.8	1,188.7
Property, plant and equipment	313.6	312.4	314.6	302.7	323.9
Total assets	2,638.9	2,583.6	2,612.0	2,822.3	2,944.7
Borrowings under credit facility <sup>(7)</sup>	—	—	262.5	227.5	187.5
Capital stock	2,712.0	2,609.5	2,093.9	2,048.2	2,048.3
Total equity <sup>(1)</sup>	1,402.0	1,394.9	1,091.0	1,238.8	1,350.7

## (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. 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.

(2) SG&A expenses include research and development costs of \$26.2 million in 2017, \$24.9 million in 2016, \$23.2 million in 2015, \$19.7 million in 2014, and \$17.4 million in 2013.

Other charges in 2013 totaled \$4.0 million, comprised primarily of: (a) \$28.0 million in restructuring charges, (3) 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 the purchase of annuities for the defined benefit component of 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 (defined herein) in Japan and Spain (recorded in the fourth quarter of 2015). See note 16 to the Consolidated Financial Statements in Item 18.

Other charges in 2016 totaled \$25.5 million, comprised of: (a) \$31.9 million in restructuring charges, offset in part by (b) \$6.4 million, consisting primarily of net legal recoveries. See note 16 to the Consolidated Financial Statements in Item 18.

Other charges in 2017 totaled \$37.0 million, comprised of: (a) \$28.9 million in restructuring charges, (b) a \$1.9 million non-cash loss incurred on the purchase of pension annuities, (c) \$1.6 million in transition costs relating to the relocation of our Toronto manufacturing operations, and (d) \$4.6 million, primarily for acquisition-related costs and activities. See note 16 to the Consolidated Financial Statements in Item 18.

Refund interest income represents the refund of interest on cash then-held on account with tax authorities in (4) connection with the resolution of certain previously-disputed tax matters in the second half of 2016. See notes 17, 20 and 24 to the Consolidated Financial Statements in Item 18.

(5) Finance costs are comprised primarily of interest expenses and fees related to our credit facility (including our Term Loan commencing in 2015), our accounts receivable sales program, and a customer supplier financing

program. See notes 5, 12 and 17 to the Consolidated Financial Statements in Item 18.

(6) Calculated as current assets less current liabilities.

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

#### Exchange Rate Information

The rate of exchange as of February 14, 2018 for the conversion of one Canadian dollar into United States dollars was U.S.\$0.7959 and for the conversion of one United States dollar into Canadian dollars was C\$1.2564. 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 U.S. Federal Reserve's website (<http://www.federalreserve.gov>).

		2013	2014	2015	2016	2017
Average .....		1.0300	1.1043	1.2791	1.3243	1.2984
	February 2018 (through February 14)	January 2018	December 2017	November 2017	October 2017	September 2017
High .....	1.2612	1.2534	1.2900	1.2890	1.2894	1.2509
Low .....	1.2280	1.2293	1.2517	1.2693	1.2470	1.2131

**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 our customers' ability to compete and succeed in the marketplace with the services we provide and the products we manufacture.

Our operating results are highly dependent upon our customers' ability to compete and succeed in the marketplace with the services we provide and the products we manufacture. Factors affecting our customers include: rapid changes in technology, evolving industry standards, and requirements for continuous improvement in products and services that result in short product life cycles; demand for our customers' products may be seasonal; our customers may fail to successfully market their products, and our customers' products may fail to gain widespread commercial acceptance; our customers' products may have supply chain issues; our customers may experience dramatic shifts in demand which may cause them to lose market share or exit businesses; and there may be recessionary periods in our customers' markets. In addition, 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. If technologies or standards supported by our customers' products and services or their business models become obsolete, fail to gain widespread acceptance or are canceled, our business would be adversely affected.

Demand patterns are volatile across our end markets, particularly in the Enterprise and Communications end markets. Rapid shifts in technology, model obsolescence, commoditization of certain products, the emergence of new business models (including Infrastructure as a Service (IaaS), Platform as a Service (PaaS), and Software as a Service (SaaS)), shifting demand, such as the shift from traditional network infrastructures to highly virtualized and cloud-based environments, the proliferation of software-defined technologies enabling the disaggregation of software and hardware, increased competition, the oversupply of products, pricing pressures, and the volatility of the economy, all contribute to the complexity of managing our operations and fluctuations in our financial results.

See "Our customers may be negatively affected by rapid technological changes, shifts in business strategy and/or the emergence of new business models, and new entrants/competition with disruptive products and/or services" below.

We are dependent on a limited number of customers and end markets. A decline in revenue from, or the loss of, any significant customer, could have a material adverse effect on our financial condition and operating results.

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 2017, two customers (2016 — two customers; 2015 — three customers)



individually represented more than 10% of our total revenue, and our top 10 customers represented 71% (2016 — 68%; 2015 — 67%) of our total revenue. We also remain dependent upon revenue from our traditional end markets (Communications and Enterprise), which represented 68% of our consolidated revenue in each of 2017, 2016 and 2015. We continue to focus on expanding beyond these traditional end markets by growing our ATS end market and enhancing and adding new technologies and capabilities to our offerings.

A decline in revenue from, 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 significant up-front investments and increased working capital requirements may be required. 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" below.

To reduce our reliance on any one customer or end market (including the concentration of our revenues in the Communications and Enterprise end markets), we continue to target new customers and services, including a continued focus on the expansion of our ATS end market (which in 2017 consisted of our aerospace and defense, industrial, smart energy, healthcare, semiconductor equipment, and consumer businesses), including through acquisitions. However, revenue from our ATS end market (as a percentage of total revenue) has remained flat in recent years, as our operating results in this end market have been negatively impacted by the costs associated with ramping new business, and most recently, our exit from the solar panel manufacturing business. See "We may encounter difficulties expanding or consolidating our operations or introducing new competencies or new offerings, which could adversely affect our operating results" below.

Notwithstanding our expansion efforts, we remain dependent on our Communications and Enterprise end markets for a large portion of our revenue, which are subject to the various factors described above and continue to experience slower growth rates and increased pricing pressures. As a result, we also remain focused on expanding revenue in our higher value-added services and solutions, such as design and development, engineering, supply chain management and after-market services. 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 programs in our traditional or new markets, including through 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.

Any 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.

A change in the mix of customers and/or the types of products or services we provide could have a material adverse effect on our financial condition and operating results.

The mix of our customers and the type of products or services we provide to these customers may have an impact on our financial condition and operating results from period-to-period. For example, in 2017, a higher concentration of fulfillment services (that contributed significantly lower gross profit than our historical full-service traditional EMS programs), as well as increased pricing pressures (mostly significantly in our Communications and Enterprise end markets), adversely impacted our margins and operating results for the year. As a result of the high concentration of our business in the Communications and Enterprise end markets (68% of total revenue in 2017), we expect this demand shift, as well as competitive pressures and aggressive pricing, to continue to negatively impact these businesses in future periods to the extent we cannot offset such impacts with increases in higher-margin services, cost reductions or otherwise. In addition, certain of our customer agreements require us to provide specific price reductions over the contract term, which may also negatively impact our financial condition and operating results if they cannot be offset.

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., Flex 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. As part of our JDM offering, we also provide complete hardware platform solutions, which may compete with those of our customers. Offering products or services to customers that compete with the offerings of other customers may negatively impact our relationship with, or result in a loss of business from, such other customers. We 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. In addition to the foregoing, we may face competition from distribution and logistics providers expanding their services across the supply chain.

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 provide a broader range of services than we offer. While we have increased 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 do to new technologies, evolving industry trends and changing customer requirements. In addition, our competitors may be more effective than we are in investing in IT solutions to differentiate their offerings to capture a larger share of the market. 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. Although we have also expanded our capabilities, including through our Karel acquisition and recent "operate-in-place" arrangements, our competitors' expansion efforts may be more successful than ours. 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. See Item 5, "Operating and Financial Review and Prospects — Management's Discussion and Analysis of Financial Condition and Results of Operations — Recent developments — End Markets."

Our customers may be negatively affected by rapid technological changes, shifts in business strategy and/or the emergence of new business models, and new entrants/competition with disruptive products and/or services. 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 new entrants or competitors with disruptive products, services, or 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 strategies. 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 has had an adverse impact on our customers, and consequently, our business. Other examples include the shift from traditional network infrastructures to highly virtualized and cloud-based environments, the prevalence of solid state or flash memory technology as a replacement for hard disk drives, as well as the proliferation of software-defined technologies enabling the disaggregation of software and hardware, 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. 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. Consolidation within the EMS industry, or among our customers or suppliers, may adversely affect our business relationships or the volume of business we conduct with our customers.

Our customers, competitors and/or 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. 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 integration and other significant 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 (including through our anticipated acquisition of Atrenne). These transactions may involve acquisitions of entire companies or acquisitions of selected assets. We have also completed numerous strategic transactions, including multi-year "operate-in-place" arrangements, where we manage certain production, assembly or other services for customers directly from their locations, acquire their inventory, equipment and/or other assets, hire their employees, and lease or acquire their manufacturing sites. Potential challenges related to these acquisitions and transactions (including our acquisition of Atrenne, if consummated) include: integrating acquired operations, systems and businesses; meeting customers' expectations as to volume, product quality and timeliness; supporting legacy contractual obligations; 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.

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 or through debt instruments provided by external lenders. We may require additional capital to grow our business through acquisitions. We may be unable to obtain additional capital if and when required on terms acceptable to us or at all. We may pursue sources of additional capital through various financing transactions or arrangements, including debt financing, equity financing or other means. We may not be successful in consummating suitable financing transactions in the time period required or at all, and we may not be able to obtain the capital we require by other means. If the amount of capital we are able to raise from financing activities, together with the cash from our operations, is not sufficient to consummate an acquisition we have deemed desirable, we may not be able to implement our intended business plan, which could adversely affect our business, results of operations and financial condition. See "We may use cash on hand, issue debt securities or otherwise incur substantial debt, or issue equity securities (or any combination thereof) to complete future business acquisitions or otherwise fund our operations, which may adversely affect our liquidity, debt leverage, credit ratings, financial condition and results of operations" below.

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. In addition, increased costs associated with recent hires retained to support our pursuit of acquisitions and/or other strategic opportunities

may not result in the consummation of any such transactions, and such costs are expected to continue to adversely impact our operating results.

We may use cash on hand, issue debt securities or otherwise incur substantial debt, or issue equity securities (or any combination thereof) to complete future business acquisitions or otherwise fund our operations, which may adversely affect our liquidity, debt leverage, credit ratings, financial condition and results of operations.

Any significant use of cash (for acquisitions or otherwise) may adversely impact our current and future cash position and liquidity. In addition, we may choose to issue debt securities or otherwise incur substantial debt, to fund future acquisitions or otherwise fund our operations. Any significant incurrence of debt (either through the issuance of debt securities or through a new or refinanced credit facility) could have a variety of negative effects, including, but not limited to: (i) default and foreclosure on

our assets if we have insufficient funds to repay the debt obligations; (ii) the imposition of restrictive covenants on our operations; (iii) acceleration of such indebtedness or cross-defaults if we breach financial or other covenants under applicable debt agreements; (iv) use of a substantial portion of our cash flow to pay principal and interest on such debt, which will reduce the funds available for expenses, capital expenditures, acquisitions and other general corporate purposes; (v) limitations on our flexibility in planning for and reacting to changes in our business and in the industries in which we operate; (vi) increased vulnerability to adverse changes in general economic, industry and competitive conditions and adverse changes in government regulation; (vii) limitations on our ability to refinance our indebtedness on terms acceptable to us or at all; and (viii) limitations on our ability to borrow additional amounts for expenses, capital expenditures, acquisitions, debt service requirements, execution of our strategy and other purposes and other disadvantages compared to our competitors who have less debt. To the extent we sell equity or convertible debt securities, the issuance of these securities (the pricing of which would be subject to market conditions at the time of issuance) could result in material dilution to our stockholders. Sales of our equity securities or convertible debt, or the perception that these sales could occur, could also cause the market price for our subordinate voting shares to fall, and new securities could have rights, preferences and privileges senior to the holders of our subordinate voting shares.

In addition, our credit ratings impact the cost and availability of future borrowings and, accordingly, our cost of capital. Our ratings reflect the opinions of the ratings agencies of our financial strength, operating performance and ability to meet our debt obligations. There can be no assurance that we will achieve a particular rating or maintain a particular rating in the future, which could place us at a competitive disadvantage compared to better capitalized competitors and prevent us from taking actions that could benefit us in the long term. We may not be able to obtain financing arrangements on acceptable terms or in amounts sufficient to meet our needs in the future, which could harm our ability to grow our business, internally or through acquisitions.

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

The purchase of materials and electronic components represents a significant portion of our costs. We rely on third parties to provide such items. Although our OEM customers often dictate the materials to be used in their products, materials shortages or other issues affecting timely access to these materials (which often occur in our industry) may impact our ability to successfully complete a program. 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. Shortages may also 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 would negatively impact our margins and operating results. Changes in forecasted volumes or in our customers' requirements can also negatively affect our ability to obtain components and adversely impact our operating results. During 2017, materials constraints from certain suppliers caused delays in the production of customer products, resulted in higher than expected levels of inventory, and in combination with volatile market demand, negatively impacted our margins for the year. We expect these materials constraints and adverse impacts to continue in the near term.

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 to 90 days in advance and we often experience volatility in customer orders and inventory levels. 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. Customers may in-source production that they had previously outsourced, among other reasons, to better utilize their internal capacity. The global economic environment, political pressures, negative sentiment from our customers' customers or changes made by local governments (such as tax benefits or income tax rate reductions) may also 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. 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. For example, late changes in demand from certain customers in the fourth quarter of 2017 negatively impacted our operating results, as the timing of the changes prevented us from reducing certain variable production costs in light of the lower volumes. 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. See "We are dependent on third parties to supply certain materials, and our results can be negatively affected by the availability and cost of such materials" above.

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. Although we required additional inventory to support new program ramps during 2017, we also experienced demand volatility in our Communications and Enterprise end markets during the year, including late changes from certain customers, as well as materials constraints from suppliers, all of which resulted in us carrying higher than expected levels of inventory at December 31, 2017. 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. For example, unprecedented declines in the pricing of solar panels, a slowing of demand, and related deferred and cancelled orders from customers resulted in us recording aggregate net inventory provisions of \$12.0 million in 2016 and \$3.3 million in 2017, primarily to write down our solar panel inventory to applicable market prices. Order cancellations and delays could also lower our asset utilization, resulting in higher levels of unproductive assets, lower inventory turns, and lower margins.

We have incurred significant restructuring charges in recent periods, and expect to incur further significant restructuring charges during 2018 in connection with our cost efficiency initiative; we may not achieve some or all of the expected benefits from our cost efficiency initiative and other restructuring activities, and these activities may adversely affect our business.

We perform ongoing evaluations of our business, operational efficiency and cost structure, and implement restructuring actions as we deem necessary. We have undertaken numerous initiatives to respond 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 16 to the Consolidated Financial Statements in Item 18.

We recorded restructuring charges of \$28.9 million in 2017, primarily for employee termination costs relating to our Global Business Services (GBS) and Organizational Design (OD) initiatives, costs in connection with the rationalization of certain operations in the third quarter of 2017, and \$8.0 million of charges in connection with our new cost efficiency initiative (described below) in the fourth quarter of 2017, and to write down the carrying value of our solar manufacturing equipment. We recorded restructuring charges of \$31.9 million in 2016, primarily for employee termination costs relating to our GBS and OD initiatives, the closure of our solar panel manufacturing operations and other exited operations, and impairment charges to write down certain plant assets and equipment to recoverable amounts, including our solar manufacturing equipment. During 2015, we recorded restructuring charges of \$23.9 million, primarily related to headcount reductions implemented at various of our sites, and costs associated with the consolidation of two of our semiconductor sites, including the write-down of certain equipment and a

reduction in the related workforce.

In addition, in response to challenging markets and continued margin pressures (driven primarily by volatility in our Communications and Enterprise end markets), we are implementing additional restructuring actions (which commenced in the fourth quarter of 2017) under a new cost efficiency initiative. Such initiative will include reductions to our workforce, the potential consolidation of certain sites to better align capacity and infrastructure with current and anticipated customer demand, related transfers of customer programs and production, re-alignment of business processes, management reorganizations, and other associated activities. We currently estimate that we will incur aggregate restructuring charges of between \$50.0 million and \$75.0 million (consisting primarily of cash charges) with respect to this initiative (including \$8.0 million of restructuring charges incurred

in the fourth quarter of 2017). This initiative is expected to continue through mid-2019. Implementation of our cost efficiency initiative may be costly and disruptive to our business, and we may not be able to achieve the cost savings and benefits that we anticipate in connection therewith. We may not be able to retain or expand existing business due to execution issues relating to anticipated headcount reductions, plant closures or product/service transfers, and we may incur higher operating expenses during the periods of transition. Additionally, restructuring actions related to this initiative may result in a loss of continuity and accumulated knowledge in our workforce and related operational inefficiencies, as well as negative publicity. Headcount reductions can also have a negative impact on morale and our ability to attract and hire new qualified personnel in the future. Our cost efficiency initiative is expected to require a significant amount of management and other employees' time and focus, which may divert attention from operating and growing our business.

Any failure to achieve some or all of the expected benefits of our cost efficiency initiative or any other restructuring activities, including any delay in implementing planned related restructuring actions, may have a material adverse effect on our competitive position and operating results.

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

We have in recent periods recorded charges relating to 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 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. During 2017, we incurred operating losses related to the wind-down of our solar panel manufacturing operations, and we recorded provisions of \$0.9 million to further write down the carrying value of our remaining solar panel inventory (to reflect lower prices obtained in then-current purchase orders), a provision of \$0.5 million to write down the carrying value of our solar accounts receivable (primarily as a result of a solar customer's bankruptcy) to recoverable amounts, and net impairment charges of \$3.8 million (through restructuring charges) to further write down the carrying value of our solar panel manufacturing equipment to its estimated fair value less costs to sell, based on executed sale agreements. We currently expect the sale of such equipment to be completed by the end of the first quarter of 2018. If we are unable to collect the current carrying value of our remaining solar assets (\$2.6 million in solar panel manufacturing equipment and \$6.7 million in solar accounts receivable as of December 31, 2017), we will incur additional asset write downs in future periods. During 2016, we recorded impairment charges of \$21.2 million (through restructuring charges) to write down certain plant assets and equipment to recoverable amounts. During 2015, we recorded impairment charges of \$12.2 million to write down the property, plant and equipment of two of our CGUs. See notes 16(a) and (b) to the Consolidated Financial Statements in Item 18.

Sustained market price decreases, demand softness, and/or failure to realize future revenue at an appropriate profit margin in any CGU could negatively impact our operating results, including restructuring actions and/or impairment losses for such CGU, in future periods.

We continue to operate in an uncertain global economic and political environment.

Concerns over global economic conditions and geopolitical issues, energy costs, inflation, the availability and cost of credit, and the European, Asian and the U.S. financial markets have contributed to increased global economic and political uncertainty. Brexit, the current U.S. administration, and tensions with North Korea have contributed to such uncertainty. See "Our operations could be adversely affected by global or local events outside our control" and "Policies or legislation proposed or instituted by the current U.S. administration could have a material adverse effect on our business, results of operations and financial condition" below. Changes in policies by the U.S. or other

governments could negatively affect our operating results due to changes in duties, tariffs or taxes, or limitations on currency or fund transfers, as well as government-imposed restrictions on producing certain products in, or shipping them to, specific countries (including the current renegotiation of the North American Free Trade Agreement (NAFTA) and its implications for our business). Uncertain global economies have adversely impacted, and may continue to unpredictably impact, 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" below. Financial market instability may result in lower returns on our financial investments, and lower values on some of our assets. Alternately,

inflation may lead to higher costs for labor and materials and/or increase our costs of borrowing and raising capital. Uncertainty surrounding the global economic environment and geopolitical outlook may impact current and future demand for some of the products we manufacture or services we provide, the financial condition of our customers and/or suppliers, as well as the number and pace of customer consolidations. If the foregoing impacts the financial condition of our customers, they may delay payments to us or request extended payment terms, which could have an adverse effect on our financial condition and working capital. If the foregoing impacts the financial condition of our suppliers, this may have an adverse effect on our operations, financial condition and/or customer relationships. We cannot predict the precise nature, extent, or duration of these economic or political conditions or if they will have any impact on our financial results. 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 operations could be adversely affected by global or local events outside our control.

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 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. Any such disruption could lead to higher costs, supplier shortages, delays in the delivery of components to us, and/or our inability to provide finished products or services to our customers, any of which could adversely affect our operating results materially. 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, earthquakes or other events. Our insurance policies, however, are subject to deductibles, coverage limitations and exclusions, and may not provide adequate (or any) coverage should such events occur.

Increased international political volatility, including changes to previously accepted trading or other government policies or legislation 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, including increased tensions between the United States and North Korea, 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.

The June 2016 Brexit referendum led to, among other things, volatility in currency exchange rates that resulted in the strengthening of the U.S. dollar against foreign currencies in which we conduct business. Given the lack of comparable precedent, it is unclear what financial, trade and legal implications the withdrawal of the United Kingdom from the European Union will have and how such withdrawal will affect us, our customers and their demand for our services. We cannot predict changes in currency exchange rates, the impact of exchange rate changes on our operating results, nor the degree to which we will be able to manage the impact of currency exchange rate changes, and any of these effects of Brexit, among others, could materially adversely affect our business, results of operations and financial condition. Also see "Policies or legislation proposed or instituted by the current U.S. administration could have a material adverse effect on our business, results of operations and financial condition" below for a discussion of uncertainties arising out of the current U.S. administration with respect to, among other things, existing and proposed trade agreements (including the status of NAFTA), free trade generally, and potential significant increases on tariffs on goods imported into the United States, particularly from Mexico, Canada and China, and how changes in U.S. social, political, regulatory and economic conditions or in laws and policies governing foreign trade, taxes, manufacturing, clean energy, the healthcare industry, development and investment in the jurisdictions in which we and/or our customers or suppliers operate, could materially adversely affect, among other things, the supply chain

strategies of our customers, the pace of outsourcing in our industry, the economy (including inflationary trends) and our business, results of operations and financial condition.

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.

Policies or legislation proposed or instituted by the current U.S. administration could have a material adverse effect on our business, results of operations and financial condition.

The current U.S. administration has created uncertainty with respect to, among other things, existing and proposed trade agreements (including the renegotiation of NAFTA to better implement U.S. trade policy objectives, including through the potential addition of new provisions to address regulatory practices, state-owned enterprises, services, customs procedures, sanitary measures, labor, the environment, and other matters which may affect our business or the businesses of our customers), free trade generally, and potential significant increases on tariffs on goods imported into the U.S., particularly from Mexico, Canada and China. We currently ship a significant portion of our worldwide production into the U.S. from other countries. Changes to U.S. laws or policies (as described above or otherwise) may impact the supply chain strategies of, as well as the pace of outsourcing by, U.S. customers in the future, including the possibility of such customers insourcing programs that were previously outsourced (including to companies like ours).

The U.S. Tax Cuts and Jobs Act (U.S. Tax Reform) was enacted on December 22, 2017, and became effective January 1, 2018. As the legislative changes are extensive, and significant uncertainties remain as to how the U.S. government will implement the new tax law, we do not yet know all of the consequences of this legislation on our global business, including whether it will have any unintended impacts. We do not currently expect the new legislation to have a significant impact on our future global tax rate. In addition, we do not currently anticipate that the one-time transition tax on foreign unremitted earnings and the base erosion and anti-abuse tax will have a significant impact on us, however, there can be no assurance that this will be the case. Other aspects of the new legislation may have a positive impact on our future U.S. income tax provision, but we cannot quantify any potential future impact at this time.

In general, tax reform efforts, including with respect to tax base or rate, transfer pricing, inter-company dividends, cross border transactions, controlled corporations, and limitations on tax relief allowed on the interest on inter-company debt, will require us to continually assess our organizational structure against tax policy trends, and could lead to an increased risk of international tax disputes and an increase in our effective tax rate, and could adversely affect our financial results.

It is unknown at this time to what extent other new laws will be passed or pending or new regulatory proposals will be adopted, if any, or the effect that such passage or adoption may have on the economy and/or our business. However, changes in U.S. social, political, regulatory and economic conditions or in laws and policies governing foreign trade, taxes, manufacturing, clean energy, the healthcare industry, development and investment in the jurisdictions in which we and/or our customers or suppliers operate, could materially adversely affect our business, results of operations and financial condition.

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. 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. For example, we incurred higher costs in 2017 with respect to

ramping new programs, including aerospace and defense programs, as well as programs that required the establishment of infrastructures in multiple jurisdictions. We also anticipate increased ramping costs going forward as we expand our ATS businesses. 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 these areas. 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.

For example, we made the decision in the fourth quarter of 2016 to exit the solar panel manufacturing business. In connection therewith, we recorded approximately \$21.0 million in restructuring charges in the fourth quarter of 2016 to close our solar panel manufacturing operations at our two locations, including \$19.0 million in impairment charges to write down the carrying value of our solar panel manufacturing equipment to then-recoverable amounts. During 2017, we incurred operating losses related to the wind-down of our solar panel manufacturing operations, and we recorded a net aggregate of \$5.2 million in additional provisions/impairment charges to write down our inventory, accounts receivable and solar panel manufacturing equipment to recoverable amounts. If we are unable to recover the current carrying value our remaining solar assets (\$2.6 million in solar panel manufacturing equipment and \$6.7 million in solar accounts receivable as of December 31, 2017), we will incur additional asset write downs in future periods. See Item 5, "Operating and Financial Review and Prospects — Management's Discussion and Analysis of Financial Condition and Results of Operations — Recent developments."

As part of our strategy to enhance our end-to-end service offerings, we intend to continue to expand our design (including our JDM offering) and engineering capabilities. Providing these services may expose us to different or greater potential risks than those we face when providing our manufacturing services. Our design services offerings require significant investments in research and development, technology licensing, testing and tooling equipment, patent applications and talent recruitment. Our margins may be adversely impacted if we incur higher than expected investment costs, or if our customers are not satisfied with our progress, or do not approve our completed designs. In addition, our design activities often require the purchase of inventory for initial production runs before we have a firm purchase commitment from a customer. Furthermore, we may face increased competition with respect to this offering from ODMs and other companies providing similar services, including our own customers. As we anticipate continuing to grow this business, costs required to support our design and engineering capabilities may adversely affect our profitability. In addition, some of the products we design and develop must satisfy safety and regulatory standards and some must receive government certifications. If we fail to obtain these approvals or certifications on a timely basis, we would be unable to sell these products, which would harm our revenues, profitability and reputation. 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.

If we are unable to recruit or retain highly skilled talent, 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 talent in the various geographies in which Celestica operates. The time required to replace or redistribute responsibilities related to 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, and there can be no assurance that we will be able to retain their services. In addition, leadership transitions (which we implemented with respect to our senior management during 2017 in order to support our current priorities and strategic goals) 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. Organizational changes made by our leadership team 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. 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.

Changes to our operating model may adversely affect our business.

We continuously work to improve our productivity, quality, delivery performance and flexibility. In connection therewith, we recently completed our GBS initiative, which focused on integrating, standardizing and optimizing our end-to-end business processes, and our OD initiative, which involved redesigning our organizational structure with the goal of increasing our overall effectiveness. In addition, we are implementing a new cost efficiency initiative, which commenced in the fourth quarter of 2017, to further streamline our business and improve our margin performance. Charges related to these initiatives may adversely impact our financial condition and results of operations in the periods incurred. See Item 5, "Operating and Financial Review and

Prospects — Management's Discussion and Analysis of Financial Condition and Results of Operations — Operating Results — Other Charges." Implementation of these initiatives presents a number of risks, including: (i) actual or perceived disruption of service or reduction in service levels to customers; (ii) potential adverse effects on our internal control environment with respect to general and administrative functions during transitions resulting from such initiatives; (iii) actual or perceived disruption to suppliers, distribution networks and other important operational relationships and the inability to resolve potential conflicts in a timely manner; (iv) diversion of management attention from ongoing business activities and strategic objectives; and (v) failure to retain key employees. Because of these and other factors, we cannot predict whether we will fully realize the purpose and anticipated benefits or cost savings of these initiatives and, if we do not, our business and results of operations may be adversely affected. Furthermore, if we experience adverse changes to our business, additional restructuring or reorganization activities may be required in the future. See "We have incurred significant restructuring charges in recent periods, and expect to incur further significant restructuring charges during 2018 in connection with our cost efficiency initiative; we may not achieve some or all of the expected benefits from our cost efficiency initiative and other restructuring activities, and these activities may adversely affect our business" above.

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.

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.

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 our solar panel products (which remain in force notwithstanding our exit from this business), 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 our 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 JDM offerings) and pursue business in new end markets, our warranty obligations are likely to 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 may experience increased financial and reputational risk due to non-performance by counterparties. A failure by counterparties, including customers, suppliers, financial institutions or other third parties with whom we conduct business, to fulfill their contractual obligations, may result in financial loss to us and may have adverse effects on our business.

We have key suppliers that are important to our sourcing activities. If a key supplier, or any company within that supplier's supply chain, were to experience financial difficulties, it may affect their ability to supply us with materials, components or services, which could halt or delay the production of a customer's products, which could in turn have a material adverse impact on our operations, financial results, and customer relationships.

Our ability to collect outstanding accounts receivable is contingent, in part, on the financial strength of our customers. We provide flexible payment terms to most of our customers (generally ranging from 30 to 90 days), however, we extend or provide longer payment terms from time to time for new customers or with respect to new programs. If this becomes more prevalent, it could adversely impact our working capital requirements, and increase our financial exposure and credit risk. Our accounts receivable balance at December 31, 2017 was \$764.8 million, with two customers representing more than 10% of total accounts receivable. Customers having financial difficulties may result in payment delays, defaults in payments, or requests for extended payment terms, any of which could adversely impact our short-term cash flows, financial performance and/or operating results. In addition, customer financial difficulties may result in purchase order cancellations or volume reductions, resulting in increased inventory levels, which could have a material adverse impact on our operating results and working capital performance. We may not be able to return or resell this inventory, or we may be required to hold the inventory for an extended period of time, which may result in inventory obsolescence and the need to record additional inventory reserves. We may also be unable to recover all of the amounts owed to us by a customer, including amounts to cover unused inventory or capital investments incurred to support a customer's business. Furthermore, if a customer bankruptcy occurs, our profitability may be adversely impacted if affected accounts receivable are in excess of our allowance for doubtful accounts. Additionally, our future revenues could be adversely impacted by a customer bankruptcy. Inability to collect accounts receivable and/or the loss of one or more major customers could adversely impact our operating results, financial position and cash flows. We cannot reasonably determine the extent to which a customer or supplier may have financial difficulties, or whether we will be required to adjust customer pricing, payment terms and/or the amounts we pay to suppliers for materials and components.

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 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 21 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, in prior periods, been adversely impacted by negative foreign currency translation effects, 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 2017, 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, including increased scrutiny of labor practices within our industry;
- cultural differences and/or differences in local business customs;
- negative impacts, or ineffectiveness, of executing restructuring activities;
- changes in regulatory requirements;
- inflationary trends 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/or social instability;
- potential restrictions on the transfer of funds and/or other restrictive actions by foreign governments;
- the effects of terrorist activity, armed conflict, natural disasters 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 may increase our costs, and certain supplier's costs, of doing business.

We currently ship a significant portion of our worldwide production into the U.S. from other countries. Potential changes to, among other things, laws or policies in the U.S. regarding foreign trade, import/export duties, tariffs or taxes, manufacturing and/or investments, could materially adversely affect our U.S. and foreign operations. See "Policies or legislation proposed or instituted by the current U.S. administration could have a material adverse effect on our business, results of operations and financial condition" above.

There can be no assurance that the acquisition of Atrenne will be consummated in a timely manner or at all, and that if acquired, we will be able to successfully integrate Atrenne.

In January 2018, we executed an agreement for the acquisition of Atrenne (through a merger whereby Atrenne will become one of our wholly-owned subsidiaries). The consummation of such acquisition is subject to the receipt of applicable regulatory approvals, as well as other customary closing conditions. There can be no assurance that such approvals will be obtained, that the other closing conditions will be satisfied or waived in a timely manner or at all, that our purchase of Atrenne will be consummated in a timely manner or at all, that internal cash flow and our ability to incur further indebtedness under our revolving credit facility will be as expected in order to finance the acquisition as anticipated, or that, if acquired, we will be able to successfully integrate Atrenne, further develop our capabilities in the aerospace and defense market or otherwise expand our portfolio of solutions, or achieve the other expected benefits from the acquisition. Also see "We may encounter integration and other significant challenges with respect to our acquisitions and strategic transactions which could adversely affect our operating results" above for a discussion of challenges that we may encounter with respect to our acquisition of Atrenne, if consummated.

We may not keep pace with rapidly evolving technology.

Many of the markets for our manufacturing and engineering services are characterized by rapidly changing technology and evolving process development. 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; hire, retain and expand our qualified engineering and technical personnel; maintain and continually improve our technological expertise; and successfully anticipate or respond to technological changes in manufacturing processes on a cost-effective and timely basis.

Although we believe that our operations use the assembly and testing technologies, equipment and processes that are currently required by our customers, we cannot be certain that we will maintain or develop the capabilities required by our customers in the future. The emergence of new technologies, industry standards or customer requirements may render our equipment, designs, inventory or processes obsolete or noncompetitive. In addition, we may have to invest 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 or pursue business in new markets where our experience may be limited, we may be less effective in adapting to technological change. Our manufacturing, engineering, supply chain processes, and test development efforts and design capabilities may not be successful due to rapid technological shifts in any of these areas. The acquisition and implementation of new technologies and equipment and the offering of new or additional services to our customers may require significant expense or capital investment, which could reduce our operating margins and our operating results. Our failure to anticipate and adapt to our customers' changing technological needs and requirements or to hire and retain a sufficient number of engineers and maintain our engineering, technological and manufacturing expertise could have a material adverse effect on our operations.

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. 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.

We are subject to the risk of increasing income and other 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" and note 20 to the Consolidated Financial Statements in Item 18 for a discussion of recently expired tax incentives, the status of existing tax incentives, and a challenge to our Brazilian sales tax levy rates.

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 of historical information, which could result in additional tax expense in future periods relating to prior results. Any such increase in our income tax expense and related interest and/or penalties could have a significant adverse impact on our future earnings and future cash flows. The successful pursuit of assertions made by any taxing authority could result in our owing significant amounts of tax, interest, and possibly penalties. We believe we adequately accrue for any probable potential adverse tax ruling. However, there can be no assurance as to the final resolution of any claims and any resulting proceedings. If any 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 accrued.

As at December 31, 2017, a significant portion of our cash and cash equivalents was held by foreign subsidiaries outside of Canada, and is subject to withholding taxes upon repatriation under current tax laws. We currently expect to repatriate \$88.0 million from various subsidiaries in the near term, and have recognized any applicable deferred tax liabilities with respect thereto. At December 31, 2017, we had approximately \$351.0 million (December 31, 2016 — \$340.0 million) of cash and cash equivalents held by foreign subsidiaries outside of Canada that we do not intend to repatriate in the foreseeable future.

The sale of our real property in Toronto may not be completed on a timely basis or at all, and the costs, timing and execution of our related Toronto manufacturing and corporate relocations may prove to be other than anticipated. On July 23, 2015, we entered into a property sale agreement (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. The purchase price, should the transaction be consummated, is approximately \$137 million Canadian dollars (approximately \$109 million at year-end exchange rates), exclusive of applicable taxes and subject to certain adjustments. Upon execution of the Property Sale Agreement, we received a cash deposit of \$15 million Canadian dollars (\$11.2 million at the then-prevailing exchange rates) which is non-refundable except in limited circumstances. In April 2017, we received notice from the Property Purchaser that the required municipal zoning approval process will take longer than originally anticipated. As a result, the Property Purchaser exercised its option under the Property Sale Agreement to extend the approvals period by one year. Assuming the timely satisfaction of various conditions, we currently expect the transaction to close during 2018. However, there can be no assurance that this transaction will be completed during 2018, or at all. Whether or not this transaction is consummated, however, we are moving our existing Toronto manufacturing operations to another location. In connection therewith, we entered into a long-term lease in November 2017 (in the Greater Toronto area) for the relocation of our Toronto manufacturing operations. Occupancy under such lease is anticipated to commence at the end of the first quarter of 2018. We currently expect to complete the transition to this new manufacturing location by the end of the first quarter of 2019.

In addition, should the sale be consummated, we will enter into a short-term interim lease with the Property Purchaser for our existing corporate headquarters and manufacturing premises on a portion of the real estate on a rent-free basis

(subject to certain payments, including taxes and utilities), followed by a long-term lease for our new corporate headquarters on commercially reasonable arm's length terms. In connection therewith, we intend to move our corporate headquarters to a temporary location while space in a new office building (to be built by the Property Purchasers on the site of our current location) is under construction. The temporary office relocation is currently expected to occur by the end of the first quarter of 2019. We will incur significant costs throughout the transition period (which commenced in the fourth quarter of 2017) to relocate our corporate headquarters and to transfer our Toronto manufacturing operations to its new location, and as we prepare and customize the new site to meet our manufacturing needs. These costs will consist of building improvements and new equipment, as well as transition-related costs. Transition costs are comprised of direct relocation costs, duplicate costs (such as rent expense, utility costs, depreciation charges,

and personnel costs) incurred during the transition period, as well as cease-use costs incurred in connection with idle or vacated portions of the relevant premises that we would not have incurred but for these relocations. The costs, timing and execution of these relocations could result in unforeseen events, and/or have a material adverse impact on our business, operating results and financial position. Any adverse impacts in connection with these transitions on our business, operating results and financial position may be exacerbated to the extent that the timing, execution and/or costs of such transitions are other than anticipated.

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 and the rise of the 'Internet of Things,' 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 advanced threat protection, information and 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 or promptly identify and remedy such outages and breaches, our operations may be disrupted, our business reputation could be adversely affected, and there could be a negative impact on our financial condition and results of operations.

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.

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 condition;
- 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 pressures, the competitive environment and contract terms and conditions;
- upfront investments and challenges associated with the ramping of programs for new or existing customers;
- provisions or charges resulting from unexpected changes in market conditions impacting our industry or the end markets we serve;



- 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;
- governmental actions or changes in legislation;
- 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.

Materials constraints from certain suppliers throughout 2017 lead to volatility in our revenue and margins, and resulted in us carrying higher than expected levels of inventory at December 31, 2017. These adverse market conditions are expected to continue in the near term.

From time to time we experience some level of seasonality in our quarterly revenue patterns across some of our businesses. 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. In recent periods, revenue from the storage component of our Enterprise 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 business 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 requires 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 could 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 remain 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 conduct environmental assessments, or review assessment reports undertaken by others, for our manufacturing sites at the time of acquisition or leasing. However, such assessments may not reveal all environmental

liabilities, and assessments have not been obtained for all sites. In addition, some of our operations involve the use of hazardous substances that could cause

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environmental impacts. While we have operational systems to provide environmental management, we cannot rule out all risk of non-compliance and could incur substantial costs to comply. Although if deemed necessary, we may investigate, remediate or monitor emissions and site conditions at some of our owned or leased sites (such as air, soil and/or groundwater conditions), we may not be aware of, or adequately address, all such emissions and conditions, and we may incur significant costs should such work be required. 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 our liability. Third-party claims for damages or personal injury are also possible and could result in significant costs to us. If more stringent compliance or cleanup standards under environmental laws or regulations are imposed, or the results of future testing and analyses at our current or former operating sites indicate that we are responsible for the release of hazardous substances into the air, ground and/or water, we may be subject to additional liability. Additional environmental matters may arise in the future at sites where no problem is currently known or at sites that we may acquire in the future.

Our healthcare business is subject to regulation by the U.S. Food and Drug Administration (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. Our sites that deliver products to the healthcare business are certified or registered in quality management standards applicable to the healthcare industry. We are required to comply with 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. Our aerospace and defense sites 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 with which we are required to comply, 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 comply with in the procurement process for goods and services; and the Truth in Negotiations Act, which requires full and fair disclosure by contractors in the conduct of negotiations with the government and its prime contractors. We are also subject to the export control laws and regulations of the countries in which we operate, including, but not limited to, the U.S. International Traffic in Arms Regulations (ITAR) and the Export Administration Regulations (EAR).

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 in other jurisdictions, 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 these laws and 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.

As a public company, we are subject to stringent laws, regulations and other requirements, including 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 or adjoining countries (referred to as "conflict minerals"). As required by Dodd-Frank, 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, changes in how healthcare in the U.S. is structured, including as a result of the U.S. Affordable Care Act (or any successor legislation), 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.

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 governmental 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.

Also see "Policies or legislation proposed or instituted by the current U.S. administration could have a material adverse effect on our business, results of operations and financial condition" above for a discussion of potential adverse impacts on our business that may result from changes to U.S. laws, regulations and/or policies proposed or implemented by the current U.S. administration.

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 Responsible Business Alliance (RBA), formerly known as the Electronic Industry Citizenship Coalition. The RBA is a non-profit coalition of electronics companies that, among other things, 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, personal taxation, 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 of the United States, may 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 defined benefit, defined contribution 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 expenditures. 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 change 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 limit 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. Future acquisitions are part of our diversification strategy and we are likely to incur additional debt to finance these transactions, at least in part. See "We may use cash on hand, issue debt securities or otherwise incur substantial debt, or issue equity securities (or any combination thereof) to complete future business acquisitions or otherwise fund our operations, which may adversely affect our liquidity, debt leverage, credit ratings, financial condition and results of operations" above for a discussion of potential negative impacts resulting from the incurrence of additional debt.

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 our current credit agreement), at our option, plus a margin. The Term Loan bears interest at LIBOR plus a margin. At December 31, 2017, we had \$187.5 million outstanding under the Term Loan, and no amounts outstanding under the Revolving Facility (December 31, 2016 — \$212.5 million outstanding under the Term Loan and \$15.0 million outstanding under the Revolving Facility; December 31, 2015 — \$237.5 million outstanding under the Term Loan and \$25.0 million 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 2015 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 in 2015 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 impacts our liquidity and the cash resources that would otherwise be available to conduct our business; including for working capital, capital expenditures, acquisitions, future

expansion of our business, and for other general corporate purposes. Also see "We may use cash on hand, issue debt securities or otherwise incur substantial debt, or issue equity securities (or any combination thereof) to complete future business acquisitions or otherwise fund our operations, which may adversely affect our liquidity, debt leverage, credit ratings, financial condition and results of operations" above.

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 or wish to incur additional debt or issue equity securities to fund our operations or make acquisitions. Our ability to borrow or raise capital, or renew or increase 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 (or any successor or additional facility). Our access to funds under our credit facility (or any successor or additional facility) will be 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 or outlook may make it more expensive for us to raise additional capital in the future on terms that are acceptable to us, if at all. See "We may use cash on hand, issue debt securities or otherwise incur substantial debt, or issue equity securities (or any combination thereof) to complete future business acquisitions or otherwise fund our operations, which may adversely affect our liquidity, debt leverage, credit ratings, financial condition and results of operations" above.

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 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 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 Restated Articles of Incorporation (Articles), 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, indirectly owns 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, 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 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, as well as various other claims, suits, investigations and legal proceedings (including securities class action and shareholder derivative lawsuits which have been settled or dismissed). 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, including the Canadian Accounting Standards Board (CASB), the IASB, and the SEC. While these accounting changes do not typically affect the economies of our business, 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 became effective as of January 1, 2018. We have determined that the new revenue recognition standard will change the timing of revenue recognition for a significant portion of our business, and that the adoption of such standard will materially impact our consolidated financial statements, primarily in relation to inventory and accounts receivable. See note 2(x) to the Consolidated Financial Statements in Item 18. Additionally, the standard relating to leases was also amended to bring most leases onto the balance sheet for lessees, eliminating the distinction between operating and finance leases. This standard will apply to us beginning January 1, 2019. Changes in accounting standards could materially affect (either positively or negatively) 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.

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 14, 2018, we had approximately 124.2 million subordinate voting shares and approximately 18.6 million multiple voting shares outstanding. In addition, as of such date, there were approximately 11.3 million subordinate voting shares reserved for issuance from treasury for outstanding awards under our employee and director equity-based compensation plans, including approximately 0.4 million subordinate voting shares underlying stock options (vested and unvested), approximately 1.0 million subordinate voting shares underlying unvested restricted share units, approximately 0.7 million subordinate voting shares underlying unvested performance share units (assuming vesting of 100% of the target amount granted), and approximately 1.5 million subordinate voting shares

underlying deferred share units (granted from 2003 to 2007) that have not been settled. Moreover, pursuant to our Articles, 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. See "We may use cash on hand, issue debt securities or otherwise incur substantial debt, or issue equity securities (or any combination thereof) to complete future business acquisitions or otherwise fund our operations, which may adversely affect our liquidity, debt leverage, credit ratings, financial condition and results of operations" above. 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.

Volatility in our business can result in significant price and volume fluctuations in the market price of our stock. 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. In addition, if our operating results do not meet the expectations of securities analysts or investors, the price of our stock could decline. Furthermore, the existence of our NCIB could cause our subordinate voting share price to be higher than it would be in the absence of such a program, and repurchases under the NCIB expose us to risks resulting from a reduction in the size of our "public float," which may reduce our trading volume as well as our stock price.

There can be no assurance that we will continue to repurchase subordinate voting shares for cancellation.

Although we currently have an NCIB in effect, whether we repurchase shares under such NCIB for cancellation and the amount and timing of any such share repurchases, is subject to capital availability and periodic determinations by our Board that share repurchases are in the best interest of our shareholders and are in compliance with all applicable laws and agreements. Future share repurchases, including their timing and amount, may be affected by, among other factors: our views on potential future capital requirements for strategic transactions, including acquisitions; debt service requirements; our credit rating; changes to applicable tax laws or corporate laws; and changes to our business model. In addition, the amount we spend and the number of shares we are able to repurchase under our NCIB and any future SIB may further be affected by a number of other factors, including the prices of our subordinate voting shares and blackout periods in which we are restricted from repurchasing shares. Our share repurchases may change from time to time, and we cannot provide assurance that we will continue to repurchase subordinate voting shares for cancellation in any particular amounts or at all. A reduction in or elimination of our share repurchases could have a negative effect on our stock price.

Potential unenforceability of judgments.

We are incorporated under the laws of the Province of Ontario, Canada. Our controlling persons, a majority of our directors, and several of our officers are residents of (or are organized in) Canada. Also, a substantial portion of our assets and the assets of these person 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. It may also be difficult for shareholders to enforce a U.S. judgment in Canada predicated upon the civil liability provisions of U.S. federal or state securities laws or to succeed in a lawsuit in Canada based only on U.S. federal or state securities laws. 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, and 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.

Our business could be negatively impacted as a result of actions by activist shareholders or others.

Although Onex controls a substantial majority of the voting power of our securities, we may be subject to challenges in the operation of our business due to actions instituted by activist shareholders or others. Responding to such actions could be costly and time-consuming, may not align with our business strategies and could divert the attention of our Board and senior management from the pursuit of our business strategies. Perceived uncertainties as to our future

direction as a result of shareholder activism may lead to the perception of a change in the direction of the business or other instability and may make it more difficult to attract and retain qualified personnel and business partners and may adversely affect our relationships with vendors, customers and other third parties.

Our business and operations could be adversely impacted by climate change initiatives.

Concern over climate change has led to international legislative and regulatory initiatives directed at limiting carbon dioxide and other greenhouse gas emissions. Proposed and existing efforts to address climate change by reducing greenhouse gas emissions could directly or indirectly affect our costs of energy, materials, manufacturing, distribution, packaging and other operating costs, which could adversely impact our business and financial results.

#### 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) (the "OBCA"). Our principal executive offices are currently 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](http://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.

A description of 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, 5, 12, 13, 22, 24 and 25 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." A description of our divestiture activities (including our restructuring activities) over the last three fiscal years is set forth in notes 4, 7, 16 and 18 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" for a description of our significant commitments for capital expenditures as at December 31, 2017 and those planned for 2018, our execution of an agreement to acquire Atrenne, as well as a discussion of the status of the sale of our solar panel manufacturing equipment, and an agreement we entered into in July 2015 for the sale of our real property located in Toronto, Ontario, including the site of our corporate headquarters and our current Toronto manufacturing operations, and related transition matters.

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

As previously disclosed, commencing in the first quarter of 2017, we aligned our end markets into two customer focused areas: ATS and Connectivity & Cloud Solutions (CCS). Our ATS end market consists of our former Diversified and Consumer end markets, and is comprised of our aerospace and defense, industrial, smart energy, healthcare, semiconductor equipment, and consumer businesses. CCS consists of our Communications and Enterprise end markets. Our Enterprise end market is comprised of our servers and storage businesses, which were combined into one end market as a result of their converging technologies. All period percentages herein reflect these changes. 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 as compared to their insourcing of these activities. We believe this results 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 sites and centers of excellence (discussed below) strategically located in North America, Europe and Asia.

We offer a range of services to our customers, including design and development (such as our JDM offering, which consists of 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 71% of our total 2017 revenue. In 2017, we had two customers that individually represented more than 10% of total revenue (Cisco Systems, Inc. and Juniper Networks, Inc. accounted for 18% and 13%, respectively, of our total revenue for 2017). Significant reductions in, or the loss of, revenue from these or 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. A decline in revenue from, or the loss of, any significant customer, could have a material adverse effect on our financial condition and operating results."

In 2017, our revenue by end market was as follows: ATS (32% of revenue); Communications (43% of revenue); and Enterprise (25% of revenue). The products and services we provide serve a wide variety of applications, including servers; networking and telecommunications equipment; storage systems; converged systems; optical equipment; aerospace and defense electronics; healthcare products and applications; semiconductor equipment; and a range of industrial and alternative energy products.

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 a leading company in the EMS industry. In connection therewith, we have recently completed our GBS initiative and our OD initiative. Our GBS initiative focused on integrating, standardizing and optimizing our end-to-end business processes. Our OD initiative involved redesigning our organizational structure, with the goal of increasing the overall effectiveness of our organization by improving internal alignment, reducing complexity and increasing our speed to outcome. To streamline our processes and reduce costs, we have invested in automation and the connected factory. Our recently announced cost efficiency initiative, and related anticipated restructuring actions, are also intended to further streamline our business, increase operational efficiencies and improve our productivity.

A key focus for us is to grow our ATS end market, in order to reduce the revenue concentration of our Communications and Enterprise end markets (which constituted an aggregate of 68% of total revenue in 2017). Our current priorities include: (i) growing and diversifying our customer and product portfolios to help achieve longer-term consistency, increasing our revenue, and improving operating margins; (ii) increasing the contribution from our ATS end market to our overall profitability, while continuing to invest in capabilities and targeted end markets; (iii) generating strong annual free cash flow and adjusted return on invested capital ("adjusted ROIC"); and (iv) continuing to improve our execution by focusing on increased productivity and simplification throughout our organization. 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 intend to continue to focus on expanding our revenue base in our higher-value-added services, such as design and development, engineering, and after-market services. However, as we are experiencing slower growth rates and increased pricing pressures in our traditional markets, which account for a substantial portion of our revenue, we will also focus on expanding our business beyond our traditional end markets, including by pursuing new customers and acquisition opportunities in our ATS end market to expand our end market penetration, to diversify our end market mix, and to enhance and add new technologies and capabilities to our offerings. Note that operating margin, free cash flow and adjusted 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 the most directly comparable IFRS measures.

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 highly competitive environments, 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, to encourage OEMs to outsource more of their cost of goods sold.

#### Celestica's Strategy

We are focused on building solid partnerships and delivering informed, flexible solutions intended to contribute to our customers' success. To achieve this, we collaborate with our customers in an effort to identify and meet their current and future requirements. We offer a range of services designed to deliver lower costs, increased flexibility and predictability, improved quality and responsive service. 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 our ATS end market, which in 2017 was comprised of our aerospace and defense, industrial, smart energy, healthcare, semiconductor equipment, and consumer businesses. Revenue dollars from our ATS end market increased by 8% from 2015 to 2017, while representing 32% of our total revenue over the same period.

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

	2015	2016	2017
ATS	32%	32%	32%
Communications	40%	42%	43%
Enterprise	28%	26%	25%

**Selectively Pursue Acquisitions and Strategic Transactions.** We will selectively seek acquisition opportunities and strategic transactions 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. See Item 5, "Operating and Financial Review and Prospects — Management's Discussion and Analysis of Financial Condition and Results of Operations — Recent developments" for a discussion of our most recent "operate-in-place" arrangement with an existing aerospace and defense customer, and our anticipated acquisition of Atrenne.

**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, and (iii) improving operating efficiencies to reduce costs and improve margins, including through our new cost efficiency initiative.

We have been increasing our investments in the connected factory, and automating and connecting our equipment, people and systems throughout our global network, including our customers and suppliers. Automation is intended to help us streamline our processes, and our organizational initiatives are intended to reduce costs, complexity, and improve our responsiveness to customers. Nonetheless, the mix of our business can impact our revenue and overall margins. Although our revenues increased in 2017 compared to 2016, our mix of programs negatively impacted our gross margins, as certain new programs contributed lower gross profit than past programs (including a higher concentration of fulfillment services that contributed significantly lower gross profit than our historical full-service traditional EMS programs). In addition, as we expand our business, our operating results have been, and will continue to be, negatively impacted by the costs of ramping new programs. 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. Revenue from our ATS end market (as a percentage of total revenue) has remained flat in recent years as we have encountered challenges in connection with expanding our semiconductor and solar panel manufacturing businesses (with respect to the latter, prior to our recent exit from that business), resulting in lower margins and/or losses for such businesses during and/or following the ramp periods. 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 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 and Continue to Invest in Developing New Technology, Quality Products and Supply Chain Solutions and Services.** We continually seek to expand the services we offer to our customers, and 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, allows us to produce a variety of electronic products ranging from high-volume electronics to highly complex technology infrastructure products used in a broad array of end markets, and allows us to deliver consistently reliable products to our customers. We also believe the systems and collaborative processes associated with our expertise in supply chain management help us to adjust our operations to meet the lead time requirements of our customers, 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 (such as our JDM offering, which consists of 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. We believe that our JDM offering differentiates us from other EMS providers, by encompassing advanced technology design solutions that customers can tailor to their specific platform applications. We execute our business in our global network of sites, including our designated centers of excellence, strategically located in North America, Europe and Asia. We leverage these sites and centers of excellence, information technology, and our 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, including hardware platforms, 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 throughout our operations network to deliver customer value and eliminate defects and waste. Implementing Lean initiatives across our manufacturing processes helps drive efficiencies, cycle times velocities and improve product quality. We use Six Sigma extensively in an effort to reduce process variation and to drive root cause problem-solving. Lean and Six Sigma methods are also used in non-production areas to streamline our processes and eliminate waste. For example, our GBS initiative focused on integrating, standardizing and optimizing our end-to-end business processes throughout our organization. We apply the knowledge we gain in our after-market services to help improve the quality and reliability of next-generation products. Success in these areas helps 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 partially customized JDM products, and complete hardware platform solutions to customers in the storage, servers, communications, and industrial markets. These products are intended to help our customers 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. Our JDM business represented approximately 10% of our aggregate Enterprise and Communications end market revenue in 2017, growing 12% from 2016.

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 review, all intended to ensure readiness for manufacturing. We leverage our design expertise to create innovative technologies and hardware product solutions, and leverage key ecosystem partners to drive both innovation and supply chain leverage. Our JDM offerings encompass advanced technology hardware design solutions that customers can tailor to their

specific platform applications. We believe that collaboration between our customers' teams, key ecosystem partners, 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 with our customers throughout the product life-cycle. We believe our engineering expertise and experience in design review, product test solutions, assembly technology, automation, quality and reliability, position us 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, analytics, enterprise resource planning, and supply chain management systems to optimize materials management from suppliers 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 higher quality products 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.

As a result of our recent acquisition of the assets of Karel, we now also provide complex mechanical assembly primarily to our aerospace customers, including wire harness assembly, systems integration, sheet metal fabrication, welding and machining.

##### Precision Machining

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

#### Smart Energy Services

We provide integrated smart energy solutions and services to our renewable energy customers in the areas of power generation, conversion and monitoring. We deliver complete product lifecycle solutions, including design, manufacturing and reliability services for power inverters, metering and controls electronics, and energy storage subsystems. Although we have exited the solar panel manufacturing business, we remain committed to growing the other areas within our smart energy market portfolio, which include power inverters, energy storage products, smart

meters and other electronic componentry.

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#### 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 automated solutions, as well as 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 sub-assemblies and components before shipping them 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. Our reclamation offering includes product disassembly, reassembly and re-use, as well as certified scrap disposition processing. 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 each of 2015, 2016 and 2017, approximately three-quarters of our revenue was produced in Asia and one-fifth of our revenue was produced in North America. Revenue produced in Canada represented 8% of revenue in 2017 (2016 — 8%; 2015 — 9%). Our property, plant and equipment in Canada represented 6% of our property, plant and equipment at December 31, 2017 (December 31, 2016 — 7%; December 31, 2015 — 8%). 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 25 to the Consolidated Financial Statements in Item 18.

#### Marketing and Customer Experience

We structure our business development teams by end market, with a focus on offering market insight and expertise, and 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 meet the requirements of each customer's product or supply chain. Our global network is comprised of customer-focused teams, operational and project managers, and supply chain management teams, as well as senior executives.

Our goal is to effectively collaborate with our customers, and towards that end, we provide comprehensive support before, during and after the delivery of our products and services. We seek to deepen and grow our customer relationships by providing consistent, high-quality implementation and customer support services, which we believe drives higher customer retention and additional opportunities within our existing customer base.

#### Customer Concentration 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., Dell EMC, Hewlett-Packard Enterprise, Hewlett-Packard Inc., Honeywell Inc., IBM Corporation, Juniper Networks, Inc., NEC Corporation, Oracle Corporation, Polycom, Inc., and Western Digital 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 2017, two customers (Cisco Systems, Inc., which accounted for 18% of total 2017 revenue, and Juniper Networks, Inc., which accounted for 13% of total 2017 revenue) individually represented more than 10% of total revenue (2016 — two customers: Cisco Systems (19%) and Juniper Networks (11%); 2015 — three customers: Cisco Systems (16%), IBM (10%) and Juniper Networks (12%)). Our top 10 customers represented 71%, 68%, and 67% of total revenue for 2017, 2016 and 2015, 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. Some of these agreements require us to provide, among other things, specific price reductions over the term of the contracts. We expect such price reductions to become more prevalent as customers increasingly seek longer-term contracts to lock in their supply, terms and pricing. This could adversely impact our operating results in future periods.

#### 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 flexible and can be reconfigured as needed to meet customer-specific product requirements and fluctuations in volumes (although we do incur increased production costs from time to time in connection with unexpected demand changes). 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 computed tomography, 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 meet the needs of our customers. We apply automation solutions for higher volume products, where possible, to help improve product quality, lower product costs, and increase manufacturing efficiencies.

Our ongoing research and development activities include the development of processes and test technologies, as well as 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 complete hardware platform solutions to

reduce product costs and accelerate time to market, and which we believe will continue to grow). We work directly with our customers to understand their product roadmaps and to develop technology solutions intended to meet their particular 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 leadership roles 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. Supply constraints and shortages have increased in recent periods, in part due to the rising demand for electronic components. As a result, we expect prices for raw materials to increase. 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.

Notwithstanding these efforts, however, materials constraints from certain suppliers caused delays in the production of customer products during 2017. See Item 3(D) Key Information — Risk Factors, "We are dependent on third parties to supply certain materials, and our results can be negatively affected by the availability and cost of such materials."

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.

Notwithstanding the foregoing, however, as a result of demand volatility from our customers and the materials constraints from certain suppliers discussed above, we carried higher than expected levels of inventory at December 31, 2017. We expect these dynamic market conditions to continue in the near future.

### 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 expiration, or a material breach by us of the terms, of such agreements.

Competition

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The EMS industry is highly competitive with multiple global EMS providers competing for customers and programs. Our competitors include Benchmark Electronics, Inc., Flex 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. As part of our JDM offering, we also provide complete hardware platform solutions, which may compete with those of our customers. Offering products or services to customers that compete with the offerings of other customers may negatively impact our relationship with, or result in a loss of business from, such other customers. We also face indirect competition from current and prospective customers who evaluate our capabilities and commercial models against the merits of manufacturing products internally, and from distribution and logistics providers expanding their services across the supply chain, including assembly, fulfillment, logistics and in some cases, engineering services. We compete with different companies depending on the type of service or geographic area. Some of our competitors have greater scale and provide 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.

The competitive landscape in the CCS area remains aggressive, as demand growth is moving from traditional enterprise network infrastructure providers to cloud-based service providers, resulting in aggressive bidding from EMS providers and increased competition from ODMs as they further penetrate these markets. As a result of the high concentration of our business in the CCS marketplace, we expect continued competitive pressures, aggressive pricing and technology-driven demand shifts, as well as certain materials constraints, to negatively impact our CCS businesses in future periods. We intend to continue to monitor these dynamics and focus on cost management in response to these factors. 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" and Item 5, "Operating and Financial Review and Prospects — Management's Discussion and Analysis of Financial Condition and Results of Operations — Recent developments, under "End Markets" and "Restructuring Update."

#### 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, and 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 property even if such person or company was unaware of or not responsible for the discharge or migration of such substances. From time-to-time we investigate, remediate and monitor soil and groundwater contamination at certain operating sites. We generally obtain Phase I or similar environmental assessments (which involve general inspections without soil sampling or groundwater analysis), or review assessment reports undertaken by others, for our manufacturing sites at the time of acquisition or leasing. However, such assessments may not reveal all environmental liabilities (due, for example, to limited available information about prior operations at the properties or other gaps in information at the time we acquire or lease such sites), and assessments have not been obtained for all sites. Where contamination is suspected at sites being acquired or leased, 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 or leases 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. However, any such contractual retention of liability may not provide sufficient protection to reduce or eliminate our liability. Third party claims for damages or personal injury are also possible and could result in significant costs to us. If more stringent compliance or cleanup standards under environmental laws or regulations are imposed, or the results of future testing and analyses at our current or former sites indicate that we are responsible for the release of hazardous substances into the air, ground and/or water, we may be subject to additional liability. Environmental matters may arise in the future at sites where no problem is currently

known or at sites that we may acquire in the future. See 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. Celestica works with its customers in connection with compliance with applicable product-level environmental legislation in the jurisdictions where products are manufactured and/or offered for use and sale by our customers.

#### 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 our businesses. 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. In recent periods, revenue from the storage component of our Enterprise 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 business 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. See also Item 3D Key Information — Risk Factors — "Our revenue and operating results may vary significantly from period to period."

#### 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 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 (and one of our directors from 1998 through December 31, 2016) indirectly owns shares representing the majority of the voting rights of the shares of Onex. For further details, refer to Item 3D Key Information — Risk Factors — "The interest of our controlling shareholder, Onex Corporation, with an approximate 79% voting interest, may conflict with the interests of other shareholders" and footnotes 2 and 3 of 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 and other 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 "Policies or legislation proposed or instituted by the current U.S. administration could have a material adverse effect on our business, results of operations and financial condition" 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 Code of Conduct of the RBA, of which we were a founding (and remain a) member. The RBA'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 the RBA's Code of Conduct.

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](http://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 2018 and beyond.

#### Financial Information Regarding Geographic Areas

Details of our financial information regarding geographic areas are disclosed in note 25 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 our foreign operations are disclosed in Item 3(D) "Key Information — Risk Factors", including "Our ability to successfully manage unexpected changes or risks inherent in our global operations and supply chain may adversely impact our financial performance."

#### C. Organizational Structure

Onex, an Ontario corporation, is the Corporation's controlling shareholder with an approximate 79% voting interest in Celestica (via its direct and indirect beneficial ownership of approximately 18.6 million (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 (from 1998 through December 31, 2016), is the Chairman of the Board, President, and Chief Executive Officer of Onex, and indirectly owns 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 7(A) 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 Limited, 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 14, 2018. 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 <sup>(1)</sup> (in thousands)	Owned/Leased	Lease Expiration Dates
Canada <sup>(2)(5)</sup>	888	Owned	N/A
Canada <sup>(3)</sup>	343	Leased	between 2020 and 2028
Arizona	111	Leased	2027
California <sup>(3)</sup>	286	Leased	between 2018 and 2023
Oregon	188	Leased	2021
Mexico <sup>(3)</sup>	488	Leased	2018
Ireland <sup>(3)</sup>	214	Leased	between 2020 and 2024
Spain	109	Owned	N/A
Romania	276	Owned	N/A
China <sup>(3)(4)</sup>	1,074	Owned/Leased	2056
Malaysia <sup>(3)(4)</sup>	1,350	Owned/Leased	between 2018 and 2060
Thailand <sup>(3)(4)</sup>	1,070	Owned/Leased	between 2018 and 2029
Singapore <sup>(3)</sup>	202	Leased	between 2019 and 2020
Japan <sup>(3)(4)</sup>	563	Owned/Leased	between 2020 and 2022
Laos	114	Leased	2021

(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 an agreement 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 during 2018. We have agreed upon closing to enter into a short-term interim lease with the purchasers of such property for our existing corporate headquarters and manufacturing premises on a portion of the real estate on a rent-free basis (subject to certain payments including taxes and utilities), followed by a long-term lease for our new corporate headquarters based on commercially reasonable arm's-length terms. Whether or not this transaction is consummated, however, we are moving our existing Toronto manufacturing operations to another location, and in connection therewith, entered into a long-term lease in November 2017 (in the Greater Toronto area) for the relocation of our Toronto manufacturing operations (the new facility will reduce excess capacity that we had in our previous location). Occupancy is anticipated to commence at the end of the first quarter of 2018. We expect to complete the transition to this new location by the end of the first quarter of 2019. In addition (should the sale be consummated), we intend to move our corporate headquarters to a temporary location while space in a new office building (to be built by the purchasers of our Toronto real estate on the site of our current location) is under construction. The temporary office relocation is currently expected to occur by the end of the first quarter of 2019. We will incur significant costs throughout the transition period (which commenced in the fourth quarter of 2017) to relocate our corporate headquarters and to transfer our Toronto manufacturing operations to its new location, and as we prepare and customize the new site to meet our manufacturing needs (all of which is anticipated to be funded with cash on hand). These costs will consist of building improvements and new equipment, as well as transition-related costs (direct relocation costs, duplicate costs incurred during the transition period, as well as cease-use costs incurred in connection with idle or vacated portions of the relevant premises that we would not have incurred but for these

relocations). During the fourth quarter of 2017, we recorded \$1.6 million of such transition costs. We expect to incur approximately \$16 million in building improvement and capital expenditure costs for the new manufacturing location, all anticipated to be incurred during 2018, and to be funded from cash on hand. We have incurred approximately \$2 million of such costs through February 14, 2018. The costs, timing and execution of this relocation could have a material adverse impact on our business, our operating results and our financial position.

See Item 5, "Operating and Financial Review and Prospects — Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity, "Cash requirements."

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. 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 principal executive office is currently located at 844 Don Mills Road, Toronto, Ontario, Canada M3C 1V7.

Our material tangible fixed assets are described in note 8 to the Consolidated Financial Statements in Item 18.

Item 4A. Unresolved Staff Comments

None.

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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, 2017

The following Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with our 2017 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 14, 2018 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, including in our Advanced Technology Solutions (ATS) businesses; trends in the electronics manufacturing services (EMS) industry; our anticipated financial and/or operational results (including our anticipated non-IFRS operating margin performance during the second half of 2018); our anticipated acquisition of Atrenne Integrated Solutions, Inc. (Atrenne), the expected timing, cost, terms and funding thereof, and the expected impact of such acquisition, if consummated, on our position in the aerospace and defense and industrial markets; our goals with respect to broadening our portfolio of ATS products and services and growing our ATS business (including aerospace and defense); our diversification plans (and potential hindrances thereto); the impact of acquisitions and program wins or losses on our liquidity, financial results and working capital requirements; anticipated expenses, restructuring actions and charges, capital expenditures, and other anticipated working capital requirements, including the anticipated amounts, timing and funding thereof; the anticipated repatriation of undistributed earnings from foreign subsidiaries; the impact of tax and litigation outcomes; our cash flows, financial targets and current priorities; intended investments in our business; 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 pace of technological changes, customer outsourcing and program transfers, and the global economic environment on customer demand; the impact of increased competition, pricing and margin pressures, demand volatility, and materials constraints on our financial results, and the expected continuation of such adverse market conditions in our Enterprise and Communications end markets; raw materials prices; our intention to settle outstanding equity awards with subordinate voting shares; the number of subordinate voting shares we may repurchase under our normal course issuer bid (NCIB); the expected timing of the collection of outstanding solar accounts receivable and the possibility of future write-downs on unrecovered amounts from such solar accounts receivable and other solar assets; the expected timing of the sale of our solar panel manufacturing equipment; the impact of outstanding indebtedness under our credit facility 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 new corporate headquarters (collectively, the Toronto Real Property Transactions); the costs, timing and execution of relocating our existing Toronto manufacturing operations and the anticipated temporary relocation of our corporate headquarters while space in a new office building is under construction; the potential impact of Britain's intention to leave the European Union (Brexit) and/or policies or legislation proposed or instituted by the current administration in the U.S. on the economy, financial markets, currency exchange rates and our business; the anticipated impact of the U.S. Tax Reform (as defined herein) on our operations and our global tax rate; our expectations with respect to future pioneer incentives for limited portions of our Malaysian business; the impact of new wins, recent program transfers, and acquisitions; the anticipated impact of new accounting standards on our consolidated financial statements and the timing of related transition activities; the impact of longer-term contracts;

our expectations with respect to increasing fulfillment services offered to customers; our intentions with respect to our U.K. Supplementary pension plan; and the potential use of cash, securities issuances and/or increased third-party indebtedness to fund our operations or acquisitions, and the potential adverse impacts of such uses on our liquidity, subordinate voting share price, debt leverage, agency ratings, business and/or operations. 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 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, 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; customer and end market concentration and the challenges of diversifying our customer base and replacing revenue from completed or lost programs or customer disengagements; changes in our mix of customers and/or the types of products or services we provide; higher concentration of fulfillment services and/or other lower margin programs impacting gross profit; price, margin pressures, and other competitive factors generally affecting, and the highly competitive nature of, the EMS industry; price and other competitive factors affecting our Communications and Enterprise end markets; 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, competitor and/or supplier consolidation; integrating any acquisitions or strategic transactions (including "operate-in-place" arrangements); our having sufficient financial resources and working capital to fund currently anticipated financial obligations and to pursue desirable business opportunities, and potential negative impacts on our liquidity, financial condition and/or results of operations resulting from significant uses of cash and/or any future securities issuances or increased third-party indebtedness for acquisitions or to otherwise fund our operations; delays in the delivery and availability of components, services and materials, including from suppliers upon which we are dependent for certain components; our restructuring actions, including achieving the anticipated benefits therefrom, and the potential negative impact of transitions resulting from our restructuring actions on our operations; the incurrence of future impairment charges or other write-downs of assets; managing our operations, growth initiatives, and our working capital performance during uncertain market and economic conditions; disruptions to our operations, or those of our customers, component suppliers and/or logistics partners, including as a result of global or local events outside our control (including as a result of Brexit and/or policies or legislation proposed or instituted by the current U.S. administration, including the impact of the U.S. Tax Reform on our operations, or those of our customers, component suppliers and/or logistics partners); retaining or expanding our business due to execution issues relating to the ramping of new and existing programs or new offerings; the expansion or consolidation of our operations; recruiting or retaining skilled talent; changes to our operating model; changing commodity, material and component costs as well as labor costs and conditions; defects or deficiencies in our products, services or designs; non-performance by counterparties, including our former solar supplier, from whom we have accounts receivable outstanding; our financial exposure to foreign currency volatility, including fluctuations that may result from Brexit and/or policies or legislation proposed or instituted by the current U.S. administration; managing our global operations and supply chain; the failure to obtain (or a delay in obtaining) the necessary regulatory approvals or the failure to satisfy the other closing conditions required for our purchase of Atrenne, a material adverse change at Atrenne, the failure to consummate our purchase of Atrenne in a timely manner or at all, our failure to obtain adequate funding for the acquisition on acceptable terms, the purchase price varying from the expected amount, and if the acquisition is consummated, a failure to achieve the anticipated benefits therefrom, to successfully integrate the acquisition, to further develop our capabilities in the aerospace and defense market or otherwise expand our portfolio of solutions, and/or to achieve the other expected benefits from the acquisition; our dependence on industries affected by rapid technological change; any failure to adequately protect our intellectual property or the intellectual property of others; increasing income and other taxes, tax audits, and challenges of defending our tax positions, and obtaining, renewing or meeting the conditions of tax incentives and credits; the potential that conditions to closing the Toronto Real Property Transactions may not be satisfied on a timely basis or at all; the costs, timing and/or execution of relocating our existing Toronto manufacturing operations and/or corporate headquarters proving to be other than anticipated; computer viruses, malware, hacking attempts or outages that may disrupt our operations; the variability of revenue and operating results; compliance with applicable laws, regulations, government grants and social responsibility initiatives; and current or future litigation, governmental actions, and/or changes in legislation. The foregoing and other material risks and uncertainties are discussed in our public filings at [www.sedar.com](http://www.sedar.com) and [www.sec.gov](http://www.sec.gov), including in this MD&A, our

most recent 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 as applicable, 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 the following: production schedules from our customers, which generally range from 30 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 (including new business associated with acquisitions); the successful pursuit, completion and integration of acquisitions; the success in the marketplace of our customers' products; the pace of change in our traditional end markets and our ability to retain programs and customers; 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; that the impact of the U.S. Tax Reform on our operations will be as we currently anticipate; our ability to recover accounts receivable outstanding from a former solar supplier; the timing, execution, and effect of restructuring actions; our having sufficient financial resources and working capital to fund currently anticipated financial obligations and to pursue desirable business opportunities; our ability to diversify our customer base and develop new capabilities; the availability of cash resources for repurchases of outstanding subordinate voting shares under our current NCIB; compliance with applicable laws and regulations pertaining to NCIBs; applicable regulatory approvals will be obtained and the other closing conditions to our purchase of Atrenne will be satisfied in a timely manner; that our purchase of Atrenne will be consummated in a timely manner and on anticipated terms; that internal cash flow and our ability to incur further indebtedness under our revolving credit facility will be as expected in order to finance the Atrenne acquisition as anticipated; and that, once acquired, we are able to successfully integrate Atrenne, further develop our capabilities in the aerospace and defense market, expand our portfolio of solutions, and achieve the other expected benefits from the acquisition. 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 following end markets: Advanced Technology Solutions (ATS) (consists of our former Diversified and Consumer end markets, and is comprised of our aerospace and defense, industrial, smart energy, healthcare, semiconductor equipment, and consumer businesses), Communications (consists of our enterprise communications and telecommunications businesses), and Enterprise (consists of our servers and storage businesses). 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 as compared to their insourcing of these activities. We believe this results 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 sites and centers of excellence strategically located in North America, Europe and Asia.

We offer a range of services to our customers, including design and development (such as our Joint Design and Manufacturing (JDM) offering, which consists of 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.

The products and services we provide serve a wide variety of applications, including: servers; networking and telecommunications equipment; storage systems; converged systems; optical equipment; aerospace and defense

electronics; healthcare products and applications; semiconductor equipment; and a range of industrial and alternative energy products.

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 a leading company in the EMS industry. In connection therewith, we have recently completed our Global Business Services (GBS) initiative, which was focused on integrating, standardizing and optimizing our end-to-end business processes, and our Organizational Design (OD) initiative, which involved redesigning our organizational structure, with the goal of increasing the overall effectiveness of our organization by improving internal alignment, reducing complexity and increasing our speed to outcome. To streamline our processes and reduce costs, we have invested in automation and the connected factory. Our recently announced cost efficiency initiative, and related anticipated

restructuring actions, are also intended to further streamline our business, increase operational efficiencies and improve our productivity.

A key focus for us is to grow our ATS end market (which constituted 32% of total revenue in 2017) in order to reduce the revenue concentration of our Communications and Enterprise end markets (which constituted an aggregate of 68% of total revenue in 2017). Our current priorities include (i) growing and diversifying our customer and product portfolios to help achieve longer-term consistency, increasing our revenue and improving operating margins, (ii) increasing the contribution from our ATS end market to our overall profitability, while continuing to invest in capabilities and targeted end markets, (iii) generating strong annual free cash flow and adjusted return on invested capital (“adjusted ROIC”) and (iv) continuing to improve our execution by focusing on increased productivity and simplification throughout our organization. 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. Operating margin, adjusted 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 the most directly comparable IFRS measures.

We believe that profitable revenue growth depends significantly on increasing sales and capabilities in our ATS businesses, as well as increasing sales to and expanding the range of services we provide to existing customers in all of our end markets for their current and future product generations. Accordingly, we will continue to focus on investing both organically and through acquisitions to expand our offerings of higher-value added services, including design and development, engineering, and after-market services. Our CCS businesses, together representing 68% of total revenue in 2017 (and consisting of our Enterprise and Communications end markets), generally experience a high degree of volatility in terms of revenue and service mix, as well as recent negative pricing pressures. We were impacted by these adverse market conditions in 2017, and expect these conditions to continue in 2018. To help grow our overall revenue and to offset these market factors, we are pursuing new customers and acquisition opportunities in our ATS businesses to expand our end market penetration, to diversify our end market mix, and to enhance and add new technologies and capabilities to our offerings. In support of this expansion, we have executed two “operate-in-place” outsourcing agreements with existing aerospace and defense customers, pursuant to which we provide manufacturing and after-market repair services for specific product lines at each customer’s site. Under such arrangements, we assume the workforce assigned to the relevant operations and purchase the required inventory. In addition, we expanded our capabilities in the aerospace and defense market with our November 2016 acquisition of Karel (defined below), and anticipate further expansion of our aerospace and defense and industrial capabilities should our acquisition of Atrenne Integrated Solutions, Inc. (Atrenne) be consummated (see “Recent developments” 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, particularly in the Enterprise and Communications end markets. Capacity utilization, customer mix and the types of products and services we provide are important factors affecting our financial performance. The number of sites, the location of qualified personnel, the manufacturing capacity, and the mix of business through that capacity are vital considerations for EMS providers in terms of supporting their customers and generating appropriate returns. Because the EMS industry is working capital intensive, we believe that adjusted 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. However, demand patterns are volatile, particularly in the Enterprise and Communications end markets, making customer revenue and mix, revenue by end market, and overall profitability 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 (including Infrastructure as a Service (IaaS), Platform as a Service (PaaS), and Software as a Service (SaaS)), shifting patterns of demand, such as the shift from traditional network infrastructures to highly virtualized and cloud-based environments, the prevalence of solid state or flash memory technology as a replacement for hard disk drives, as well as the proliferation of software-defined technologies enabling the disaggregation of software and hardware, increased competition, oversupply of products, pricing pressures, and the volatility of the economy all contribute to the complexity of managing our operations and fluctuations in our financial results. For example, declines in end-market demand for customer-specific proprietary

systems in favor of open systems with standardized technologies has had an adverse impact on our customers, and consequently, our business.

In addition, uncertainty in the global economy and financial markets may impact current and future demand for our customers' products and services, and consequently, the operations of EMS providers, including Celestica. We continue to monitor the dynamics and impacts of the global economic and financial environment and work to manage our priorities, costs and resources to anticipate and prepare for any changes we deem necessary.

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. Uncertainties resulting from Brexit, policies or legislation proposed or instituted by the current administration in the U.S., and/or increased tensions with North Korea, may adversely affect our business, results of operations and financial condition. Given the lack of comparable precedent, it is unclear what financial, trade and legal implications the withdrawal of the United Kingdom from the European Union will have and how such withdrawal will affect us, our customers and their demand for our services. In addition, the current U.S. administration has created uncertainty with respect to, among other things, existing and proposed trade agreements (including the status of the North American Free Trade Agreement (NAFTA)), free trade generally, and potentially significant increases on tariffs on goods imported into the U.S., particularly from Mexico, Canada and China. We currently ship a significant portion of our worldwide production to customers in the U.S. from other countries. Changes to U.S. laws or policies may impact the pace of outsourcing by U.S. customers in the future, including the possibility of such customers' insourcing programs that were previously outsourced (including to companies like ours). It is unknown at this time to what extent new legislation, or pending or new regulatory proposals will be adopted in the U.S., if any, or the effect that such adoption may have on our business, including the full extent of the impact of recent U.S. tax reform (discussed in "Critical Accounting Policies and Estimates" below). However, changes in U.S. social, political, regulatory and economic conditions or in laws and policies governing foreign trade or taxation, manufacturing, clean energy, the healthcare industry, development and investment in the jurisdictions in which we, and/or our customers or suppliers operate, could materially adversely affect our business, results of operations and financial condition.

We have significant suppliers that are important to our sourcing activities. If a key supplier (or any company within such supplier's supply chain) experiences financial or other difficulties, this may affect its ability to supply us with materials, components or services, which could halt or delay the production of a customer's product, and/or have a material adverse impact on our operations, financial results and customer relationships. During 2017, we experienced materials constraints from certain suppliers, which caused delays in the production of customer products, and resulted in higher than expected levels of inventory. We expect these materials constraints and adverse impacts to continue in the near term.

Our ability to collect our accounts receivable and future sales depends, in part, on the financial strength of our customers. 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 short-term cash flows, financial condition and/or operating results. From time to time, we have extended the payment

terms applicable to certain customers, which has adversely impacted our working capital requirements, and increased our financial exposure and credit risk. In addition, customer financial difficulties or changes in the demand for our customers' products may result in order cancellations and 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. We also may be unable to recover all of the amounts owed to us by a customer, including amounts to cover unused inventory or capital investments we incurred to support that customer's business. Furthermore, if a customer bankruptcy occurs, our profitability may be adversely impacted by our failure to collect our accounts receivable in excess of our estimated allowance for uncollectible accounts or amounts insured (which occurred with respect to one of our solar customers during 2017, whose bankruptcy caused us to record accounts receivable provisions, discussed below). Additionally, our future revenues could be reduced by the loss of a customer due to bankruptcy. Our

failure to collect accounts receivable and/or the loss of one or more major customers could have an adverse effect on our operating results, financial position and cash flows.

We cannot reliably determine if and to what extent customers or suppliers may have financial and other difficulties, whether we will be required to adjust our prices or the amount we pay for materials and components, or face collection issues with customers, or if customer or supplier bankruptcies will occur. In connection with our exit from the solar panel manufacturing business, we recorded aggregate charges in excess of \$30 million to write down the carrying values of our solar panel manufacturing equipment, inventories and accounts receivable during 2016 and 2017. If we are unable to collect the current carrying value of our remaining solar assets (\$2.6 million in solar panel manufacturing equipment and \$6.7 million in solar accounts receivable as of December 31, 2017), we will incur additional asset write downs in future periods. See “Summary of 2017” below for further details.

Our business is also affected by customers who may shift production between EMS providers (including shifts to our competitors) 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, tax benefits, new trade policies or legislation, or consolidation among customers. Customers may also choose to increase 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.

While the demand environment remains volatile, driven largely by technology shifts and increased competition in the Communications and Enterprise end markets, we remain committed to making the investments we believe are required to support our long-term objectives and to create shareholder value. These efforts include a focus on the diversification of our customer mix and product portfolios to address changing needs, including a larger emphasis on fulfillment and after-market services, as well as broadening our ATS capabilities, including expanding our aerospace and defense, healthcare, smart energy, and industrial offerings, and continuing to expand the breadth of our JDM offerings in the areas of storage, network switching and converged storage and servers. The costs of investments that we deem desirable may be prohibitive, and therefore prevent us from achieving these diversification objectives. In addition, the ramping activities associated with investments that we do make 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.

To reduce our reliance on any one customer or end market (including the concentration of our revenues in the Communications and Enterprise end markets), we continue to target new customers and services, including through our efforts to expand our ATS end market. 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 in additional capabilities and increased working capital to support these new programs, including those associated with business acquisitions, 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 our financial performance 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 these areas. 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. See “Summary of 2017” below for a discussion of our exit from the solar panel manufacturing business.

Recent developments:

Anticipated Acquisition to Broaden Capabilities in the Aerospace and Defense Market:

In January 2018, we entered into a definitive agreement to acquire Atrenne, a leading U.S. - based designer and manufacturer of ruggedized electromechanical solutions. This acquisition is intended to expand our capabilities, improve our diversification, and bolster our leadership position within the aerospace and defense market. Atrenne's capabilities include connectors, machining, and the thermal and mechanical design and manufacture of ruggedized chassis and enclosures, primarily for military and commercial aerospace applications. We also believe that Atrenne's capabilities in the design and manufacture of value-added mechanical solutions will expand our service offerings for industrial customers. The purchase price for Atrenne is approximately \$139 million (subject to specific adjustments as set forth in the definitive agreement), which we intend to finance with a combination of cash on hand and availability under the revolving portion of our credit facility. The transaction is expected to close in the second quarter of 2018, subject to receipt of applicable regulatory approvals and satisfaction of other customary closing conditions. However, there can be no assurance that this acquisition will be consummated in a timely manner, or at all.

Toronto Real Property Update:

As previously disclosed, and assuming the timely satisfaction of various conditions, we currently anticipate the sale of our Toronto corporate headquarters and manufacturing operations to close during 2018. See “Liquidity — Cash requirements” below. However, there can be no assurance that this transaction will be completed during 2018, or at all. Whether or not the sale is consummated, we are moving our existing Toronto manufacturing operations to another location in the Greater Toronto area, and in connection therewith, entered into a long-term lease in November 2017 with occupancy anticipated to commence at the end of the first quarter of 2018. We currently expect to complete the transition to this new manufacturing location by the end of the first quarter of 2019. In addition, should the sale be consummated, we will enter into a short-term interim lease with the purchasers of our Toronto real property for our existing corporate headquarters and manufacturing premises on a portion of the real estate on a rent-free basis (subject to certain payments, including taxes and utilities), followed by a long-term lease with such purchasers for our new corporate headquarters, and intend to move such headquarters to a temporary location while space in a new office building (to be built by such purchasers on the site of our current location) is under construction. The temporary office relocation is currently expected to occur by the end of the first quarter of 2019. We will incur significant costs throughout the transition period (which commenced in the fourth quarter of 2017 and is expected to continue into 2019) to relocate our corporate headquarters and to transfer our Toronto manufacturing operations to its new location, and as we prepare and customize the new site to meet our manufacturing needs. These costs will consist of building improvements and new equipment which we will capitalize, as well as transition-related costs which we will record in other charges. The costs, timing, and execution of these relocations could have a material adverse impact on our business, our operating results and our financial position. See “Liquidity — Cash requirements” below and notes 16(d) and 18 to our 2017 audited consolidated financial statements.

End Markets:

Commencing in the first quarter of 2017, we aligned our end markets into two customer focused areas: Advanced Technology Solutions (ATS) and Connectivity & Cloud Solutions (CCS). Our ATS end market consists of our former Diversified and Consumer end markets, and is comprised of our aerospace and defense, industrial, smart energy, healthcare, semiconductor equipment, and consumer businesses. CCS consists of our Communications and Enterprise end markets (the latter of which is comprised of our servers and storage businesses, which were combined into one end market as a result of their converging technologies). All period percentages herein reflect these changes.

The competitive landscape in the CCS area remains aggressive, as demand growth is moving from traditional enterprise network infrastructure providers to cloud-based service providers, resulting in aggressive bidding from EMS providers and increased competition from original design manufacturers as they further penetrate these markets. In addition, although we offered a broad range of services to our CCS customers in 2017, we experienced a shift in the mix of our programs, in particular, growth in our lower-margin fulfillment services. This shift in mix, combined with the pricing pressures described above, demand volatility, and investments we have made to grow our higher-value added after-market services, resulted in lower than anticipated revenues and margins in our CCS businesses during 2017. As a result of the high concentration of our business in the CCS marketplace, we expect continued competitive pressures, aggressive pricing and technology-driven demand shifts, as well as certain materials constraints, to negatively impact our CCS businesses in future periods. We intend to continue to monitor these dynamics and focus on cost management in response to these factors, including our new cost efficiency initiative (discussed under “Restructuring Update” below), which is targeted, in part, towards margin improvements in our CCS businesses.

#### Restructuring Update:

During the fourth quarter of 2017, we recorded \$6.6 million of restructuring charges to complete actions previously identified as part of our OD and GBS initiatives, and an additional \$8.0 million of restructuring charges in connection with our new cost efficiency initiative described below.

In response to challenging markets and continued margin pressures (driven primarily by volatility in our Communications and Enterprise end markets), we announced in October 2017 our intention to implement additional restructuring actions in the near term to further streamline our business and improve our margin performance, and engaged an outside consultant to identify cost reduction opportunities throughout our network, including through increased operational efficiencies and productivity improvements. In connection therewith, we have commenced the implementation of additional restructuring actions under a new cost efficiency initiative. Such initiative will include reductions to our workforce, the potential consolidation of certain sites to better align capacity and infrastructure with current and anticipated customer demand, related transfers of customer programs and production, re-alignment of business processes, management reorganizations, and other associated activities. We currently estimate that we will incur aggregate restructuring charges of between \$50.0 million and \$75.0 million, which will consist primarily of cash charges, with respect to our cost efficiency initiative, including \$8.0 million of the \$14.6 million in cash restructuring charges we recorded in the fourth quarter of 2017. We currently expect restructuring charges under this initiative to continue through mid-2019. We anticipate that our cost efficiency initiative, combined with the anticipated expansion of our ATS product mix, will result in improved non-IFRS operating margins by the second half of 2018.

#### Launch of New NCIB:

In November 2017, the Toronto Stock Exchange (TSX) accepted our notice to launch a new NCIB (2017 NCIB), which allows us to repurchase, at our discretion, until the earlier of November 12, 2018 or the completion of the 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. Since the commencement of the 2017 NCIB through February 14, 2018, we paid \$36.9 million (including transaction fees) to repurchase and cancel 3.5 million subordinate voting shares at a weighted average price of \$10.48 per share.

#### Senior Management Changes:

Mr. Todd Cooper was appointed Chief Operations Officer, effective January 4, 2018, following the departure of Mr. Glen McIntosh at the end of 2017.

We previously announced the departure of Mr. Darren Myers, our former Chief Financial Officer, effective at the end of July 2017. Upon such announcement, we appointed Mr. Mandeep Chawla (formerly Senior Vice President, Finance) as interim Chief Financial Officer during our search for a permanent replacement. After conducting a full and diligent search process, we appointed Mr. Chawla as Chief Financial Officer, effective October 19, 2017.

#### Board Member Resignations:

During 2017, two of our board members, Mr. Joseph M. Natale and Mr. Thomas S. Gross, resigned from Celestica's Board.

#### Program Transfer:

In September 2017, one of our existing aerospace and defense customers outsourced certain operations to us. As part of a 10-year “operate-in-place” agreement, we currently provide manufacturing and after-market repair services for electromechanical and electronic assemblies across a wide array of technologies at the customer’s site. We have also assumed the workforce assigned to these operations and purchased approximately \$5 million in related inventory. This agreement further expanded our relationship with this customer, enhanced our ability to provide end-to-end product lifecycle solutions to our customers, and supports our strategy of growing our aerospace and defense business.

**Brazilian Assessment:**

In 2017, the Brazilian Ministry of Science, Technology, Innovation and Communications (MCTIC) issued assessments seeking to disqualify certain amounts of research and development (R&D) expenses for the years 2006 to 2009, which entitled our Brazilian subsidiary (which ceased operations in 2009) to charge reduced sales tax levies to its customers. The assessments against our Brazilian subsidiary (including interest and penalties) total approximately 39 million Brazilian real (approximately \$12 million at year-end exchange rates) for such years.

Although we cannot predict the outcome of this matter, we believe that our R&D activities for the period are supportable, and it is probable that our position will be sustained upon full examination by the appropriate Brazilian authorities and, if necessary, upon consideration by the Brazilian judicial courts. Our position is supported by our Brazilian legal advisers.

See “Summary of 2017” below for an update on our exit from the solar panel manufacturing business.

**Summary of 2017**

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, 2017 and the financial performance, comprehensive income and cash flows for the year ended December 31, 2017. See “Critical Accounting Policies and Estimates” below.

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

	Year ended December 31		
	2015	2016	2017
Revenue	\$5,639.2	\$6,016.5	\$6,110.5
Gross profit	391.1	427.6	417.8
Selling, general and administrative expenses (SG&A)	207.5	211.1	203.2
Other charges	35.8	25.5	37.0
Net earnings	66.9	136.3	105.0
Diluted earnings per share	\$0.42	\$0.95	\$0.72

	December 31	
	2016	2017
Cash and cash equivalents	\$ 557.2	\$ 515.2
Borrowings under credit facility	227.5	187.5
Total assets	2,822.3	2,944.7

Revenue of \$6.1 billion for 2017 increased 2% compared to 2016. Compared to 2016, revenue dollars in 2017 from our Enterprise end market were relatively flat, as growth from new programs primarily in the first half of 2017 was offset by softer demand in the second half of 2017. Revenue dollars from our ATS end market were also relatively flat compared to 2016 as growth in our semiconductor business and from new programs (discussed in “Operating Results” below) were offset by a 7% decrease in revenue due to our exit from the solar panel manufacturing business, and a decrease in revenue due to the completion of programs with one of our then-largest consumer customers during the third quarter of 2016. Despite revenue dollars and revenue concentration (32%) being relatively flat compared to 2016, revenue concentration from our ATS end market increased to 33% of total revenue for the fourth quarter of 2017, compared to 29% for the fourth quarter of 2016 and 31% for the third quarter of 2017. We currently expect revenue from our ATS end market to continue to grow in future periods from organic growth, as well as from acquisition activities (however, there can be no assurance that any acquisitions will occur in a timely manner, or at

all). Revenue dollars from our Communications end market increased 4% compared to 2016 primarily due to demand strength in certain programs and new program growth (including with respect to our fulfillment services and JDM programs). Although Communications revenue increased compared to 2016, we experienced slower growth rates (particularly in the second half of 2017) compared to the prior

year primarily due to new programs from 2016 reaching their full production levels, and increased pricing pressures and late changes in demand from certain customers in 2017.

Gross profit of \$417.8 million (6.8% of total revenue) for 2017 decreased 2% compared to \$427.6 million (7.1% of total revenue) for 2016. Gross profit and gross margin for 2017 were negatively impacted by unfavorable changes in program mix, increased pricing pressures and higher ramping costs, offset in part by margin improvements in our ATS end market. During 2017, our Communications and Enterprise end markets faced increased pricing pressures (see “Recent developments — End markets” above), and were also negatively impacted by a higher concentration than in 2016 of new programs, including fulfillment services, that contributed significantly lower gross profit than our historical full-service traditional EMS programs. We also incurred additional ramping costs with respect to new programs, including aerospace and defense programs, as well as programs that required the establishment of infrastructures in multiple jurisdictions. Gross profit and gross margin for our ATS end market in 2017 increased compared to the prior year, as a result of increases in each of our semiconductor and former solar businesses (the latter as a result of lower provisions recorded in 2017), offset in part by the completion of consumer programs which benefited gross margin in 2016. The gross margin for our former solar business was negatively impacted in 2016 by higher provisions (accounting for 15 basis points in 2016), primarily to write-down the carrying value of our solar panel inventory to then-recoverable amounts). SG&A for 2017 decreased \$7.9 million to \$203.2 million compared to 2016, primarily due to lower foreign exchange losses, stock-based compensation expense, and variable expenses in 2017 (described under “Operating Results” below). Other charges for 2017 increased \$11.5 million to \$37.0 million compared to 2016, primarily due to \$12 million of recoveries of damages related to a legal settlement in 2016, and \$3.1 million in higher acquisition-related costs in 2017, offset in part by the costs to settle a legal matter during 2016. Net earnings for 2017 of \$105.0 million decreased \$31.3 million compared to 2016, primarily due to \$9.8 million in lower gross profit and \$11.5 million in higher other charges in 2017 as discussed above, as well as \$14 million of refund interest income that benefited 2016.

New tax legislation was enacted in the U.S. in December 2017. In connection therewith, in the fourth quarter of 2017, we recorded a one-time, non-cash increase to our deferred income tax expense of \$2.0 million, to re-value our recognized net deferred tax assets. Net income tax expense for 2016 was favorably impacted by a reversal of \$45 million Canadian dollars (approximately \$34 million at the exchange rate at the time of recording) in provisions previously recorded for tax uncertainties related to the resolution of a transfer pricing matter for one of our Canadian subsidiaries, offset in part by withholding taxes, deferred tax expense relating to the anticipated repatriation of undistributed earnings from certain Chinese subsidiaries, and negative impacts related to taxable foreign exchange. See “Operating Results — Income taxes” below for further details.

We made the decision in the fourth quarter of 2016 to exit the solar panel manufacturing business. As part of this exit, we terminated (prior to its scheduled expiration) a supply agreement with an Asia-based solar cell supplier under which we had made specific cash advances. All such cash advances were repaid in full by the end of the second quarter of 2017 (December 31, 2016 — \$12.5 million). Under this supply agreement, we also manufactured and sold completed solar panels to this supplier as a customer (discussed below). In connection with our exit from this business, we wrote down the carrying values of our solar panel manufacturing equipment (by \$19.0 million) and inventories (by approximately \$10 million) during 2016 to then-recoverable amounts, and completed production of the final solar panels in the first quarter of 2017. During 2017, we incurred operating losses related to the wind-down of our solar panel manufacturing operations, and recorded additional provisions of \$0.9 million to further write down the carrying value of our remaining solar panel inventory (to reflect lower prices obtained in then-current purchase orders), a provision of \$0.5 million to write down the carrying value of our solar accounts receivable (primarily as a result of a solar customer's bankruptcy) to recoverable amounts, and net impairment charges of \$3.8 million (through restructuring) to further write down the carrying value of our solar panel manufacturing equipment (which was classified as assets held-for-sale) to its estimated fair value less costs to sell, based on executed sale agreements. Such equipment was valued at \$2.6 million as of December 31, 2017. We currently expect the sale of such equipment to be

completed by the end of the first quarter of 2018. A substantial portion of our solar panel manufacturing equipment was subject to finance lease agreements. As of December 31, 2017, our outstanding lease obligations for this equipment totaled \$11.1 million. In anticipation of the sale, we terminated and settled these lease obligations in full in January 2018. During the third quarter of 2017, we shipped all of our remaining solar panel inventory to customers, including to the former solar supplier described above. As of December 31, 2017, we had \$6.7 million of outstanding solar accounts receivable, all from the former solar supplier described above, which we expect to collect in the first quarter of 2018. If we are unable to recover the carrying value of these amounts owed to us, we will incur additional write-downs to these receivables in future periods.

Our cash and cash equivalents at December 31, 2017 were \$515.2 million (December 31, 2016 — \$557.2 million). Our cash provided by operating activities of \$127.0 million for 2017 decreased \$46.3 million compared to \$173.3 million for 2016, primarily due to \$52 million of income tax refunds which benefited cash in 2016 and the decrease in net earnings in 2017 compared to 2016, offset in part by lower working capital requirements in 2017 as compared to the prior year (discussed below).

At December 31, 2017, we sold \$80.0 million (December 31, 2016 — \$50.0 million) of accounts receivable (A/R) under our A/R sales program and sold \$52.3 million (December 31, 2016 — \$51.4 million) to a third-party bank under a customer's supplier financing program, all of which have been de-recognized from our accounts receivable balances. We utilized this customer's supplier financing program to substantially offset the effects of extended payment terms required by such customer on our working capital for the period. See “Capital Resources” below. We increased the amount of A/R sold under our A/R sales program in 2017 compared to 2016 as an alternative to drawing on the revolving portion of our credit facility (Revolving Facility).

At December 31, 2017, we had \$187.5 million outstanding under the term loan portion of our credit facility (Term Loan) (December 31, 2016 — \$212.5 million) and no amounts outstanding under our Revolving Facility (December 31, 2016 — \$15.0 million). We repaid the remaining \$15.0 million outstanding under the Revolving Facility in the first quarter of 2017, and made four scheduled quarterly principal repayments totaling \$25.0 million under the Term Loan in each of 2016 and 2017. See “Liquidity and Capital Resources — Liquidity — Cash requirements” below.

We have repurchased subordinate voting shares in the open market and otherwise for cancellation in recent years pursuant to NCIBs and substantial issuer bids (SIBs), which allow us to repurchase a limited number of subordinate voting shares during a specified period. 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 purchased in the open market during the term of such NCIB to satisfy delivery obligations under our stock-based compensation plans. We enter into program share repurchases (PSRs) from time to time as part of the NCIB process (if permitted by the TSX), pursuant to which we make a prepayment to a broker 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 generally determined based on a discount to the volume weighted-average market price of such shares during the term of the PSR, subject to certain terms and conditions. The subordinate voting shares repurchased under any PSR are cancelled upon such PSR's completion.

In November 2017, the TSX accepted our notice to launch the 2017 NCIB. See “Overview — Recent developments” above. Since the commencement of this NCIB through December 31, 2017, we paid \$19.9 million (including transaction fees) to repurchase and cancel 1.9 million subordinate voting shares at a weighted average price of \$10.58 per share. In addition, we repurchased 1.4 million subordinate voting shares during 2017 (0.3 million of which were repurchased under the 2017 NCIB) to satisfy delivery obligations under our stock-based compensation plans.

See “Overview — Recent developments” above for a discussion of our recent acquisition activities.

#### Summary of 2016

Revenue of \$6.0 billion for 2016 increased 7% compared to 2015. Compared to 2015, revenue dollars in 2016 from our Communications end market increased 12%, primarily driven by demand strength and new program wins. Revenue dollars from our ATS end market increased 8% from 2015 primarily due to new program ramps in our smart energy business (including new solar programs prior to our exit from that business), and a new “operate-in-place” program outsourced to us from one of our aerospace and defense customers in April 2015, offset in part by completion of programs with one of our then-largest Consumer customers. Revenue dollars from our Enterprise end market in 2016 decreased 3% compared to 2015, primarily due to customer demand softness.

Gross profit of \$427.6 million (7.1% of total revenue) for 2016 increased 9% compared to \$391.1 million (6.9% of total revenue) for 2015, primarily driven by higher revenue levels in 2016 and margin improvements in our ATS end market, including our semiconductor business and our then-solar business, partially offset by changes in program mix as some of our 2016 programs contributed lower gross profit than past programs. Our solar margins for 2016 improved compared to 2015 despite the higher provisions recorded in 2016 (accounting for approximately 15 basis points) primarily to write down the value of our solar panel inventory in the second half of 2016 to then-current market prices (see discussion above). SG&A for 2016 of \$211.1 million increased compared to \$207.5 million in 2015. Net earnings for 2016 of \$136.3 million were \$69.4 million higher compared to 2015, primarily due to higher gross profit, lower other charges (driven by \$12 million of recoveries of damages related to a legal settlement in 2016) and a net benefit of approximately \$32 million related to income taxes, comprised primarily of income tax

recoveries and related refund interest income attributable to the resolution of certain previously disputed tax matters in Canada, offset in part by withholding taxes and income tax expense related to taxable foreign exchange. See “Operating Results — Income taxes” below for further details.

In connection with our decision in the fourth quarter of 2016 to exit the solar panel manufacturing business, we recorded restructuring charges in the fourth quarter of 2016 to close our solar panel manufacturing operations at our two locations, including \$19.0 million in impairment charges to write down the carrying value of our solar panel manufacturing equipment to recoverable amounts. We also recorded inventory provisions of approximately \$10 million in 2016, primarily in the third quarter of 2016, to write down our solar inventory to recoverable amounts as a charge through cost of sales.

Our cash and cash equivalents at December 31, 2016 were \$557.2 million (December 31, 2015 — \$545.3 million). Our cash provided by operating activities was \$173.3 million for 2016 compared to \$196.3 million for 2015, primarily due to higher working capital requirements in 2016, offset in part by the increase in net earnings for 2016 described above and the cash income tax refund of \$52 million we received during the fourth quarter of 2016, representing the refund of cash previously deposited on account with the Canadian tax authorities and related interest income resolution of previously disputed tax matters. See “Operating Results — Income taxes” below for further details.

At December 31, 2016, we sold \$50.0 million (December 31, 2015 — \$50.0 million) of accounts receivable (A/R) under our A/R sales program and sold \$51.4 million to a third-party bank under a customer's supplier financing program that we joined in the fourth quarter of 2016. See “Liquidity and Capital Resources — Liquidity — Capital requirements” below.

At December 31, 2016, we had an aggregate of \$227.5 million outstanding under our credit facility, including \$212.5 million outstanding under the Term Loan (December 31, 2015 — an aggregate of \$262.5 million outstanding under our credit facility, including \$237.5 million outstanding under the Term Loan). During the first quarter of 2016, we borrowed \$40.0 million under the Revolving Facility, partly to fund the PSR described below. During 2016, we repaid \$50.0 million of the amount outstanding under the Revolving Facility and made four scheduled quarterly principal repayments totaling \$25.0 million under the Term Loan. See “Liquidity and Capital Resources — Liquidity — Cash requirements” below.

On February 22, 2016, the TSX accepted our notice to launch an NCIB (2016 NCIB) which was amended in March 2016 to permit PSRs. The 2016 NCIB allowed 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. During 2016, we paid an aggregate of \$34.3 million (including transaction fees) to repurchase and cancel 3.2 million subordinate voting shares under the 2016 NCIB at a weighted average price of \$10.69 per share, including 2.8 million subordinate voting shares repurchased at a weighted average price of \$10.69 per share under a \$30.0 million PSR funded in March 2016. We did not repurchase any subordinate voting shares for cancellation in 2016 prior to the launch of the 2016 NCIB, and we did not repurchase any shares for cancellation under the 2016 NCIB during 2017. The maximum number of subordinate voting shares we were permitted to repurchase for cancellation under the 2016 NCIB was reduced by 1.6 million subordinate voting shares we purchased in the open market during 2016 to satisfy delivery obligations under our stock-based compensation plans.

In November 2016, we acquired the business assets of Lorenz, Inc. and Suntek Manufacturing Technologies, SA de CV, collectively known as Karel Manufacturing (Karel) for a cash purchase price of \$14.9 million. Karel is a manufacturing services company that specializes in complex wire harness assembly, systems integration, sheet metal fabrication, welding and machining serving primarily aerospace and defense customers. This acquisition supported our strategy to accelerate our growth in the aerospace and defense market through the addition of value-add

capabilities and services.

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## Other performance indicators:

In addition to the key operating results and financial information described above, management reviews the following measures (which are not measures defined under IFRS):

	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Cash cycle days:								
Days in A/R	45	43	43	42	47	43	44	44
Days in inventory	60	59	58	55	62	61	64	66
Days in A/P	(58)	(55)	(55)	(53)	(59)	(56)	(56)	(56)
Cash cycle days	47	47	46	44	50	48	52	54
Inventory turns	6.1x	6.2x	6.3x	6.6x	5.9x	6.0x	5.7x	5.6x

	2016				2017			
	March	June	September	December	March	June	September	December
	31	30	30	31 (i)	31 (i)	30 (i)	30 (i)	31 (i)
Amount of A/R sold (in millions)	\$60.0	\$60.0	\$50.0	\$101.4	\$94.5	\$115.4	\$105.1	\$132.3

Includes \$52.3 million of A/R sold to a third-party bank at December 31, 2017 (\$55.1 million at September 30, 2017; \$65.4 million at June 30, 2017; \$44.5 million at March 31, 2017; \$51.4 million at December 31, 2016) in (i) connection with a customer's uncommitted supplier financing program that we joined in the fourth quarter of 2016.

We utilized this program to receive earlier payment on such customer's A/R, to substantially offset the effect of extended payment terms required by such customer on our working capital.

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.

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 also reviews other non-IFRS measures including adjusted net earnings, operating margin, adjusted 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. We base our estimates and assumptions on current facts, historical experience and various other factors that we believe are reasonable under the circumstances. Our assessment of these factors forms the basis for our judgments on the carrying values of our assets and liabilities, and the accrual of our costs and expenses. 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 2017 audited consolidated financial statements. The following is a discussion of those accounting policies which management considers to be “critical,” defined as accounting policies that management believes are both most important to the portrayal of our financial condition and results and require application of management’s most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain.

**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, discount and terminal growth 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 relevant period are indicators that a review for impairment should be conducted, and the timing of the recognition of charges or recoveries associated with our restructuring actions. The near-term economic environment could also impact certain estimates necessary to prepare our consolidated financial statements, including the estimates related to the recoverable amounts used in our impairment testing of our non-financial assets (see note 16(b) to our 2017 audited consolidated financial statements), and the discount rates applied to our net pension and non-pension post-employment benefit assets or liabilities (see note 19 to our 2017 audited consolidated financial statements). Other than changes to our estimates of the fair value of our solar panel manufacturing equipment, we did not identify any triggering event during 2017 that would indicate the carrying amount of our assets or CGUs may not be recoverable.

### 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 or services 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. See “Operating Results — Gross margin” below for a discussion of the write down in the value of our solar panel inventory during 2017 and 2016.

Assets classified as held for sale:

We classify assets as held for sale if the carrying amount will be recovered principally through a sale transaction rather than through continued use. Management must be committed to the sale transaction and the asset must be immediately available for sale in its present condition to qualify as an asset held for sale. Assets classified as held for sale are measured at the lower of

their carrying amount and fair value less costs to sell, and are no longer depreciated. The determination of fair value less costs to sell involves judgment by management of the probability and timing of disposition and the expected amount of recoveries and costs. We may engage independent third parties to assist in the determination of the estimated fair values less costs to sell for assets classified as held for sale. At the end of each reporting period, we evaluate the appropriateness of our estimates and assumptions. We may require adjustments to reflect actual experience or changes in estimates. During the second quarter of 2017, we wrote down the value of our solar panel manufacturing equipment to its estimated fair value less costs to sell based on then-broker estimates. We recorded a \$1.4 million reversal to such write-down in the fourth quarter of 2017 based on executed sales agreements. See “Summary of 2017” for details of charges recorded with respect to our solar panel manufacturing equipment.

#### Income taxes:

We record income tax expense or recovery based on taxable 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, we engage in many transactions for which the ultimate tax outcome is uncertain and therefore estimates are required for exposures related to potential and actual 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. Management periodically evaluates the positions taken in our tax returns with respect to situations in which applicable tax rules are subject to interpretation. We establish provisions related to tax uncertainties where appropriate, based on our estimate of the amount that ultimately will be paid to or received from the tax authorities. The various judgments and estimates by management in establishing provisions related to tax uncertainties significantly affect the amounts we recognize in our consolidated financial statements. 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, based on management’s estimates, that future taxable profit will be available against which the deductible temporary differences as well as unused tax losses and tax credit carryforwards can be utilized. 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. We review our deferred income tax assets at each reporting date and reduce them to the extent it is no longer probable that we will realize the related tax benefits.

The U.S. Tax Cuts and Jobs Act (U.S. Tax Reform) was enacted on December 22, 2017 and became effective January 1, 2018. Although the legislative changes contained in the U.S. Tax Reform are extensive and the interpretation of several aspects of such Tax Reform is still unclear, we recorded an income tax expense for all significant known and determinable impacts during the fourth quarter of 2017. In connection with the reduction in U.S. federal corporate tax rates from 35% to 21%, we recorded a one-time, non-cash increase to our deferred income tax expense of \$2.0 million, or \$0.01 per diluted share, to re-value our recognized net deferred tax assets. We believe we have recorded all significant one-time impacts resulting from the U.S. Tax Reform in the fourth quarter of 2017, but will continue to assess additional impacts, if any, throughout 2018 as they become known due to changes in our interpretations and assumptions, as well as additional regulatory guidance that may be issued.

Certain aspects of the U.S. Tax Reform are not expected to have a significant impact on us, including the one-time transition tax on foreign unremitted earnings and the base erosion and anti-abuse tax, while other aspects of the U.S. Tax Reform may have a positive impact on our future U.S. income tax provision, such as the elimination of the U.S. corporate alternative minimum tax. Although we cannot quantify the potential future impact at this time, we do not expect the U.S. Tax Reform to have a significant impact on our future global tax rate.

#### 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 expected future economic benefits to be provided by the asset, 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. In addition to an assessment of triggering events during the year, we conduct an 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 expected 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, discount and terminal growth rates, and in projecting future cash flows, among other factors. Our expected value-in-use is determined based on the discounted cash flows of the relevant asset, CGU or group of CGUs. 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 and other asset 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 16(a) and 16(b) to our 2017 audited consolidated financial statements for a description of impairment charges recorded through restructuring during 2016 and 2017, and impairment charges to property, plant and equipment recorded in 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 as a result of changes in circumstances. 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 the reversal will be limited to the carrying 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 businesses we are downsizing or exiting. 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 any anticipated sublease recoveries from exited sites, 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 record termination costs in the period that 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 their 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 estimated fair values less costs to sell for these assets. For leased sites that we intend to exit, the lease obligation costs represent future contractual lease payments and cancellation fees, if any, less estimated sublease recoveries, if any. We recognize any change in provisions due to the passage of time as finance costs. To estimate future sublease recoveries, 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 our restructuring charges and balances. Adjustments to the recorded amounts may be required to reflect actual experience or changes in estimates for future periods. See note 16(a) to our 2017 audited consolidated financial statements for a discussion of restructuring charges recorded in 2015 — 2017.

#### Legal and other contingencies:

In the normal course of our operations, we may be subject to lawsuits, investigations and other claims, including environmental, labor, product, customer disputes and other matters. The filing of a suit or formal assertion of a claim does not automatically trigger a requirement to record a provision. We recognize a provision for loss contingencies, including legal claims, based on management's estimate of the probable outcome. Judgment is required when there is a range of possible outcomes. Management considers the degree of probability of the outcome and the ability to make a reasonable estimate of the loss. We may also use third party advisors in making our determination. The ultimate

outcome, including the amount and timing of any payments required, may vary significantly from our original estimates. Potential material legal and other contingent obligations that have not been recognized as provisions, as the outcome is remote or not probable, or the amount cannot be reliably estimated, are disclosed as contingent liabilities.

#### Warranty:

We offer product and service warranties to our customers. We record a provision for future warranty costs based on management's estimate of probable claims under these warranties. In determining the amount of the provision, we consider several factors including the terms of the warranty (which vary by customer, product or service), the current volume of products sold or services rendered during the warranty period, and historical warranty information. We review and adjust these estimates as necessary to reflect our experience and new information. The amount and aging of our provision will vary depending on various factors including the length of the warranty offered, the remaining life of the warranty and the extent and timing of warranty claims. We classify the portion of our warranty provision for which payment is expected in the next twelve months as current, and the remainder as non-current.

#### Financial assets and financial liabilities:

We review financial assets at each reporting date and these are deemed to be impaired when objective evidence resulting from one or more events subsequent to the initial recognition of the asset indicates the estimated future cash flows of the asset have been negatively impacted. We measure an impairment loss as the excess of the carrying amount over the present value of the estimated future cash flows discounted using the financial asset's original discount rate, and we recognize this loss in our consolidated statement of operations.

We value our derivative assets and liabilities based on inputs that are either readily available in public markets or derived from information available in public markets. The inputs we use include discount rates and forward exchange rates. Changes in these inputs can cause significant volatility in the fair value of our financial instruments in the short-term.

We enter into forward exchange contracts and swaps to hedge the cash flow risk associated with firm purchase commitments and forecasted transactions in foreign currencies that are considered highly probable and to hedge foreign-currency denominated balances. We use estimates to forecast future cash flows and the future financial position of net monetary assets or liabilities denominated in foreign currencies. We apply hedge accounting to those hedge transactions that are considered effective. Management assesses the effectiveness of hedges by comparing actual outcomes against these estimates on a regular basis. Subsequent revisions in estimates of future cash flow forecasts, if significant, may result in the discontinuation of hedge accounting for that hedge.

#### 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, 2017. 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 defined benefit pension plan valuations and our future defined benefit pension expense and required funding.

To mitigate the actuarial and investment risks of our defined benefit pension plans, we from time to time purchase annuities (using existing plan assets) from third party insurance companies for certain, or all, plan participants. The purchase of annuities by the pension plan substantially hedges the financial risks associated with the pension obligations. Where annuities are purchased on behalf of, and held by the pension plan, the relevant employer retains the ultimate responsibility for the payment of benefits to plan participants, and we retain the pension assets and liabilities on our consolidated balance sheet. These annuity purchases have resulted in losses in past periods (and may apply to future annuity purchases), as a result of the reduction in the value of the plan assets to the value of the plan obligations as of the date of the annuity purchase. We record these non-cash losses in other comprehensive income (OCI) on our consolidated balance sheet and simultaneously reclassify such amounts to deficit in the same period. Alternatively, where we purchase annuities from insurance companies on behalf of applicable plan participants with the intention of winding up the relevant plan in the future (with the expectation of transferring the annuities to the

individual plan members), the insurance company assumes responsibility for the payment of benefits to the relevant plan participants once the wind-up is complete. In this case, settlement accounting is applied to the purchase of the annuities and the non-cash loss (if any)

is recorded in other charges in our consolidated statement of operations. In addition, both the pension assets and liabilities will be removed from our consolidated balance sheet once the wind-up of the plan is complete. See note 19(a) to our 2017 audited consolidated financial statements.

#### Employee stock-based compensation:

We generally grant stock options, performance share units (PSUs) and restricted share units (RSUs) to employees under our stock-based compensation plans. Stock options and RSUs vest in installments over the vesting period. Stock options generally vest 25% per year over a four-year period, and RSUs generally vest one-third per year over a three-year period. PSUs vest at the end of their respective terms, generally three years from the grant date, to the extent that specified performance conditions have been met.

Options are exercisable for subordinate voting shares. 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 that 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), and the risk-free interest rate.

The cost we record for RSUs and 40% of PSUs granted annually 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 expected 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 on our consolidated balance sheet, over the vesting period.

We determine the cost we record for 60% of PSUs granted annually 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 total shareholder return (TSR), which is a market performance condition, relative to the TSR of a pre-defined group of companies over a three-year period. 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.

#### Business combinations:

We use the acquisition method to account for any business combinations. All identifiable assets and liabilities are recorded at fair value as of the acquisition date. Any goodwill that arises from business combinations is tested annually for impairment. Potential obligations for contingent consideration and contingencies are also recorded at fair value as of the acquisition date. We record subsequent changes in the fair value of such potential obligations from the date of acquisition to the settlement date in our consolidated statement of operations.

We use judgment to determine the estimates to value identifiable net assets and the fair value of contingent consideration, if applicable, at the acquisition date. We may engage independent third parties to determine the fair value of property, plant and equipment and intangible assets. We use estimates to determine cash flow projections, including the period of expected future benefit, and future growth and discount rates, among other factors.



## Operating Results

Our annual and quarterly operating results, including our product and service volumes, revenues, and working capital performance, vary from period-to-period as a result of the level and timing of customer orders, mix of revenue, and fluctuations in materials and other costs and expenses. The level and timing of customer orders vary due to changes in demand for, and success in the marketplace of, their products, general economic conditions, their attempts to balance their inventory, availability of components and materials, and changes in their supply chain strategies or suppliers. Our annual and quarterly operating results are specifically affected by, among other factors: our mix of customers and the types of products or services we provide (as discussed below); the rate at which, the costs associated with, and the execution of, new program ramps; volumes and the seasonality of our business; price competition and other competitive factors; the mix of manufacturing or service value-add; capacity utilization; manufacturing efficiency; the degree of automation used in the assembly process; the availability of components or labor; the timing of receiving components and materials; costs and inefficiencies of transferring programs between sites; program completions or losses, or customer disengagements and the timing and the margin of any replacement business; the impact of foreign exchange fluctuations; the performance of third-party providers; our ability to manage inventory, production location and equipment effectively; our ability to manage changing labor, component, energy and transportation costs effectively; fluctuations in variable compensation costs; the timing of our expenditures in anticipation of forecasted sales levels; and the timing of any acquisitions and related integration costs. Our operations may also be affected by natural disasters or other local risks present in the jurisdictions in which we, our suppliers, logistics partners, and/or our customers operate. 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.

In the EMS industry, customers award new programs or shift programs to other EMS providers for a number of reasons, including changes in demand for the customers' products, pricing benefits offered by other EMS providers, execution or quality issues, preference for consolidation or a change in their supplier base, re-balancing the concentration or location of their EMS providers, consolidation among customers, and decisions to adjust the volume of business being outsourced. Customer or program transfers between EMS providers are part of the competitive nature of our industry. Some customers use more than one EMS provider to manufacture a product and/or may have the same EMS provider support them from more than one geographic location. Customers may choose to change the allocation of demand among their EMS providers and/or may shift programs from one region to another region within an EMS provider's global network. Customers may also decide to insource production they had previously outsourced to utilize their internal capacity or for other reasons. Our operating results for each period include the impacts associated with new program wins, follow-on business, program completions or losses, as well as any acquisitions. The volume, profitability and the location of new business awards vary from period-to-period and from program-to-program. Significant period-to-period variations can also result from the timing of new programs reaching full production or programs reaching end-of-life, the timing of follow-on or next generation programs and/or the timing of existing programs being fully or partially transferred internally or to a competitor.

Operating results expressed as a percentage of revenue:

	Year ended December 31					
	2015		2016		2017	
Revenue	100.0%		100.0%		100.0%	
Cost of sales	93.1	%	92.9	%	93.2	%
Gross profit	6.9	%	7.1	%	6.8	%
SG&A	3.7	%	3.5	%	3.3	%
Research and development costs	0.4	%	0.4	%	0.4	%
Amortization of intangible assets	0.2	%	0.1	%	0.1	%
Other charges	0.6	%	0.4	%	0.6	%
Finance costs, net of refund interest income	0.1	%	—	%	0.2	%
Earnings before income tax	1.9	%	2.7	%	2.2	%
Income tax expense	0.7	%	0.4	%	0.5	%
Net earnings	1.2	%	2.3	%	1.7	%

#### Revenue:

Revenue of \$6.1 billion for 2017 increased 2% compared to 2016. Compared to revenue from our end markets in 2016, revenue dollars from our Communications end market increased 4% in 2017, and revenue dollars from our ATS and Enterprise end markets were relatively flat in 2017, due to the factors discussed in “Summary of 2017” above and the discussions below.

Revenue of \$6.0 billion for 2016 increased 7% compared to 2015. Compared to revenue from our end markets in 2015, revenue dollars from our Communications end market increased 12% in 2016, revenue dollars from our ATS end market increased 8% in 2016, and revenue dollars from our Enterprise end market decreased 3% in 2016, due to the factors discussed in “Summary of 2016” above and the discussions below.

The following table sets forth revenue from our end markets as a percentage of our total revenue for the periods indicated:

	2015		2016		2017	
ATS	32	%	32	%	32	%
Communications	40	%	42	%	43	%
Enterprise	28	%	26	%	25	%
Revenue (in billions)	\$5.64		\$6.02		\$6.11	

Due to the converging technologies of our storage and servers businesses, we combined them into a single “Enterprise” end market for reporting purposes, commencing with the quarter ended March 31, 2017. In addition, due to the decreasing size of our Consumer end market, we added it to our former Diversified end market to create our ATS end market for reporting purposes, commencing with the quarter ended March 31, 2017. All period percentages reflect these changes. See “Recent developments” above.

Our product and service volumes, revenue and operating results vary from period-to-period depending on various factors, including the success in the marketplace of our customers’ products, changes in demand from our customers for the products we manufacture, the mix and complexity of the products or services we provide, the timing of receiving components and materials, the extent, timing and rate of new program wins, follow-on business, program completions or losses, the transfer of programs among our sites at our customers’ request, the costs, terms, timing and execution of new program ramps, and the impact of seasonality on various end markets. We are dependent on a limited number of customers for a substantial portion of our revenue. We also expect that the pace of technological change, the frequency of customers’ transferring business among EMS competitors or customers changing the volumes

they outsource, and the dynamics of the global economy will continue to impact our business from period-to-period. See “Overview” above.

From time to time, we experience some level of seasonality in our quarterly revenue patterns across some of our businesses. However, the numerous factors described above that affect our period-to-period results make it difficult to isolate the impact of seasonality and other external factors on our business. In the past, revenue from the storage component of our Enterprise 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 business 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.

Our ATS end market represented 32% of total revenue for each of 2017, 2016 and 2015. Revenue dollars from our ATS end market for 2017 were relatively flat in 2017 compared to 2016, as growth in our semiconductor business and from new programs were offset by a 7% decrease in revenue due to our exit from the solar panel manufacturing business, and a decrease in revenue due to the completion of programs with one of our then-largest consumer customers during the third quarter of 2016. ATS revenue for 2017 benefited from a new “operate-in-place” program outsourced to us from one of our aerospace and defense customers in September 2017, as well as our Karel acquisition completed in November 2016. Despite revenue dollars and revenue concentration (32%) for 2017 being relatively flat compared to 2016, revenue concentration from our ATS end market increased to 33% of total revenue for the fourth quarter of 2017, compared to 29% for the fourth quarter of 2016 and 31% for the third quarter of 2017. We currently expect revenue from our ATS end market to continue to grow in future periods from organic growth, as well as from acquisition activities (however, there can be no assurance that any acquisitions will occur in a timely manner, or at all). Revenue dollars from our ATS end market for 2016 increased 8% compared to 2015, primarily due to new program ramps in our smart energy business, including new solar programs prior to our exit from that business, and a new “operate-in-place” program outsourced to us from an aerospace and defense customer in April 2015.

Our Communications end market represented 43% of total revenue for 2017, compared to 42% for 2016 and 40% for 2015. Revenue dollars from this end market in 2017 increased 4% compared to 2016, primarily due to demand strength in certain programs and new program growth (including with respect to our fulfillment services and JDM programs). Although Communications revenue increased compared to 2016, we experienced slower growth rates (particularly in the second half of 2017), compared to the prior year primarily due to new programs from 2016 reaching their full production levels, and increased pricing pressures and late changes in demand from certain customers in 2017. We expect adverse pricing pressures to continue in future periods in this end market (see “Recent developments — End markets” above). Revenue dollars from this end market in 2016 increased 12% compared to 2015, primarily driven by demand strength from certain customer programs and new program wins.

Our Enterprise end market represented 25% of total revenue for 2017, 26% for 2016 and 28% for 2015. In 2017, revenue dollars from our Enterprise end market were relatively flat compared to 2016, as growth from new programs primarily in the first half of 2017 was offset by softer demand in the second half of 2017. We also expect adverse pricing pressures to continue in future periods in this end market (see “Recent developments — End markets” above). Revenue dollars from this end market in 2016 decreased 3% compared to 2015, due primarily to customer demand softness.

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 71% of total revenue for 2017 (2016 — 68%; 2015 — 67%). For 2017, we had two customers that individually represented more than 10% of total revenue (2016 — two customers; 2015 — three customers). Cisco Systems and Juniper Networks accounted for 18% and 13%, respectively, of our total revenue for 2017 (2016 — Cisco Systems (19%) and Juniper Networks (11%); 2015 — Cisco Systems (16%), IBM (10%) and Juniper Networks (12%)). Whether any of our customers individually accounts for more than 10% of our total revenue in any period depends on various factors affecting our business with that customer and with other customers, including overall changes in demand for our customers' products, the extent and

timing of new program wins, follow-on business, program completions or losses, the phasing in or out of programs, the relative growth rate or decline of our business with our various customers, price competition and changes in our customers' supplier base or supply chain strategies, and the impact of seasonality on our business.

We are dependent to a significant degree upon continued revenue from our largest customers. We generally enter into master supply agreements with our customers that provide the framework for our overall relationship. These agreements typically do not guarantee a particular level of business or fixed pricing. Instead, we bid on a program-by-program basis and typically receive customer purchase orders for specific quantities and timing of products. There can be no assurance that revenue from any of our major customers will continue at historical levels or will not decrease in absolute terms or as a percentage of total revenue. A significant revenue decrease or pricing pressures from these or other customers, or a loss of a major customer or program, could

have a material adverse impact on our business, our operating results and our financial position. Changes in the types of product or services we provide to our customers in a particular period may also adversely impact our margins and operating results for such period. For example, providing a relatively higher concentration of fulfillment services (which occurred in 2017 as compared to prior years, and is expected to continue) negatively impacts our operating results, as our fulfillment services generally have significantly lower margins than our traditional value-added services. Some of our customer agreements require us to provide specific price reductions to our customers over the term of the contracts. Our margins and operating results will be negatively impacted to the extent we cannot compensate for such reductions. In addition, as longer-term contracts are becoming more prevalent, we anticipate that these adverse effects will increasingly impact our business in future periods.

In the EMS industry, customers may cancel contracts and volume levels can be changed or delayed. Customers may also shift business to a competitor or bring programs in-house to improve their own utilization or to adjust the concentration of their supplier base to manage supply continuity risk. We cannot assure the replacement of completed, delayed, cancelled or reduced orders with new business. In addition, we cannot assure that any of our current customers will continue to utilize our services. Changes in demand (which occurred during 2017 with respect to particular customers), order cancellations, and changes or delays in production could have a material adverse impact on our results of operations and working capital performance, including requiring us to carry higher than expected levels of inventory. Material constraints (which also occurred during 2017) and supplier quality issues can also cause delays in production and could have a material adverse impact on our operations and our inventory levels. Order cancellations and delays could also lower our asset utilization, resulting in lower margins. Significant period-to-period changes in margins can also result if new program wins or follow-on business are more competitively priced than past programs. In addition, customers from time to time shift programs to us from other service providers, including some for lower complexity, light touch programs that are aggressively priced, which can adversely impact future operating results.

#### Gross profit:

The following table shows gross profit and gross margin (gross profit as a percentage of total revenue) for the periods indicated:

	Year ended December 31			
	2015	2016	2017	
Gross profit (in millions)	\$391.1	\$427.6	\$417.8	
Gross margin	6.9	% 7.1	% 6.8	%

Gross profit for 2017 decreased 2% compared to 2016. Gross profit and gross margin for 2017 were negatively impacted by unfavorable changes in program mix, increased pricing pressures and higher ramping costs, offset in part by margin improvements in our ATS end market. During 2017, our Communications and Enterprise end markets faced increased pricing pressures (see “Recent developments — End markets” above), and were also negatively impacted by a higher concentration than in 2016 of new programs, including fulfillment services, that contributed significantly lower gross profit than our historical full-service traditional EMS programs. We also incurred additional ramping costs with respect to new programs, including aerospace and defense programs, as well as programs that required the establishment of infrastructures in multiple jurisdictions. Gross profit and gross margin for our ATS end market in 2017 increased compared to the prior year, as a result of increases in each of our semiconductor and former solar businesses (the latter as a result of lower provisions recorded in 2017), offset in part by the completion of consumer programs which benefited gross margin in 2016. The gross margin for our former solar business was negatively impacted in 2016 by higher provisions (accounting for 15 basis points in 2016), primarily to write-down the carrying value of our solar panel inventory to then-recoverable amounts).

Gross profit for 2016 increased 9% compared to 2015, primarily driven by higher revenue levels in 2016 and margin improvements in our ATS end market, including in our semiconductor business and our then-solar business, partially offset by changes in program mix as some of our 2016 programs contributed lower gross profit than earlier programs. Our solar margins for 2016 improved compared to 2015 despite the higher provisions recorded in 2016 (accounting for approximately 15 basis points), primarily to write down the value of our solar panel inventory in the second half of 2016 to then-current market prices. Additionally, we made margin improvements in our semiconductor business during 2016 as compared to the prior year reflecting improvements in productivity and the restructuring actions we implemented in 2015.

In general, multiple factors cause gross margin to fluctuate including, among others: volume and mix of products or services; higher/lower revenue concentration in lower gross margin products and end markets; pricing pressures; contract terms and conditions; production efficiencies; utilization of manufacturing capacity; changing material and labor costs, including variable labor costs associated with direct manufacturing employees; manufacturing and transportation costs; start-up and ramp-up activities; new product introductions; disruption in production at individual sites, including as a result of program transfers; cost structures at individual sites; foreign exchange volatility; and the availability of components and materials.

Our gross profit and SG&A (discussed below) are also impacted by the level of variable compensation expense we record in each period. Variable compensation expense includes expense related to awards under our team incentive plans, our sales incentive plans, and our stock-based compensation plans, including stock options, PSUs and RSUs. See “Stock-based compensation” below. The amount of variable compensation expense related to performance-based compensation varies each period depending on the level of achievement of pre-determined performance goals and financial targets.

Selling, general and administrative expenses:

SG&A for 2017 of \$203.2 million (3.3% of total revenue) decreased \$7.9 million compared to \$211.1 million (3.5% of total revenue) for 2016, primarily due to \$2.5 million of lower foreign exchange losses, \$2.5 million of lower stock-based compensation expense in 2017 (discussed below), and lower variable expenses, including costs associated with our OD initiative incurred in 2017 compared to 2016. As part of the wind down of our solar panel business, we recorded a provision of \$0.5 million in SG&A expenses during the second quarter of 2017 to write down our solar accounts receivable, primarily as a result of a solar customer's bankruptcy.

SG&A for 2016 of \$211.1 million (3.5% of total revenue) increased compared to \$207.5 million (3.7% of total revenue) for 2015, primarily due to higher foreign exchange losses and costs associated with our OD initiative, offset in part by \$3.3 million lower stock-based compensation expense in 2016 (discussed below). The decrease in SG&A as a percentage of revenue for 2016 compared to 2015 reflects the higher revenue levels in 2016.

Stock-based compensation:

Our employee stock-based compensation expense, which excludes DSU expense, varies each period. The portion of our expense that relates to performance-based compensation generally varies depending on our level of achievement of pre-determined performance goals and financial targets. In 2017, we recorded employee stock-based compensation expense of \$14.6 million (2016 — \$15.0 million; 2015 — \$16.3 million) in cost of sales and \$15.5 million (2016 — \$18.0 million; 2015 — \$21.3 million) in SG&A.

The following table shows employee stock-based compensation for the periods indicated:

	Year ended		
	December 31		
	2015	2016	2017
Employee stock-based compensation (in millions)	\$37.6	\$33.0	\$30.1

Compared to 2016, our employee stock-based compensation expense for 2017 decreased by \$2.9 million (predominately through SG&A), primarily due to lower adjustments recorded in 2017 to reflect the reduced level of achievement related to our performance based compensation. In addition, the increase in forfeited awards during 2017 decreased our stock-based compensation by a further \$2.4 million in 2017, which offset a \$2.0 million increase in the accelerated recognition of stock-based compensation expense for employees eligible for retirement in 2017.

Compared to 2015, our employee stock-based compensation expense for 2016 decreased by \$4.6 million, primarily due to lower amounts recorded in 2016 in connection with the accelerated recognition of stock-based compensation expense for employees eligible for retirement.

Management currently intends to settle all outstanding RSUs and PSUs with subordinate voting shares purchased in the open market by a broker or by issuing subordinate voting shares from treasury. Accordingly, we have accounted for these share unit awards as equity-settled awards. See “Cash requirements” below.

In 2017, we recorded DSU expense of \$2.2 million (2016 — \$2.1 million; 2015 — \$1.9 million) through SG&A. During 2017, we paid \$1.7 million in cash to a director that resigned in July 2017 to settle his outstanding DSUs, and we settled the outstanding DSUs of a director that resigned in November 2017 with 14,098 subordinate voting shares that we purchased in the open market, in each case in accordance with the provisions of the Directors' Share Compensation Plan.

Other charges:

(i) Restructuring charges:

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

	Year ended December 31		
	2015	2016	2017
Restructuring charges	\$23.9	\$31.9	\$28.9

We perform ongoing evaluations of our business, operational efficiency and cost structure, and implement restructuring actions as we deem necessary. We recorded aggregate restructuring charges of \$28.9 million in 2017, consisting of cash charges of \$25.1 million, comprised of employee termination costs resulting from our OD and GBS initiatives, costs in connection with the rationalization of certain operations in the third quarter of 2017, and \$8.0 million of charges in connection with our new cost efficiency initiative (described below) in the fourth quarter of 2017, as well as net non-cash impairment charges of \$3.8 million to write down the carrying value of our solar panel manufacturing equipment to its fair value less costs to sell (we recorded non-cash charges of \$5.2 million to write down the carrying value of such equipment in the second quarter of 2017 based on then-broker estimates, and recorded reversals to such charges of \$1.4 million in the fourth quarter of 2017 based on executed sale agreements). Our restructuring provision at December 31, 2017 was \$12.7 million, comprised primarily of employee termination costs which we currently expect to pay in 2018. All cash outlays have been, and the balance is expected to be, funded with cash on hand.

Our aggregate restructuring charges of \$31.9 million for 2016 consisted of cash charges of \$10.7 million, primarily for employee termination costs relating to our GBS and OD initiatives, our solar panel manufacturing operations and other exited operations, and non-cash charges of \$21.2 million, to write down certain plant assets and equipment to recoverable amounts, including \$19.0 million related to our solar panel manufacturing equipment at our two locations. Our restructuring provision at December 31, 2016 was \$6.6 million, comprised primarily of employee termination costs, which were all paid with cash on hand.

Our aggregate restructuring charges of \$23.9 million for 2015 consisted of cash charges of \$19.5 million, primarily for employee termination costs at various sites, including headcount reductions in certain under-utilized manufacturing sites in higher cost locations, and non-cash charges of \$4.4 million, primarily to write down certain equipment to recoverable amounts. These 2015 charges also included costs associated with the consolidation of two of our semiconductor sites in the second quarter of 2015, to reduce the cost structure and improve the margin performance of that business. Our restructuring provision at December 31, 2015 was \$10.7 million, comprised primarily of employee termination costs, which were all paid with cash on hand.

In response to challenging markets and continued margin pressures, we announced in October 2017 our intention to implement additional restructuring actions in the near term to further streamline our business and improve our margin performance, and our related engagement of an outside consultant to identify cost reduction opportunities throughout our network, including through increased operational efficiencies and productivity improvements. In connection

therewith, we have commenced the implementation of additional restructuring actions under a new cost efficiency initiative. Such initiative will include reductions to our workforce, the potential consolidation of certain sites to better align capacity and infrastructure with current and anticipated customer demand, related transfers of customer programs and production, re-alignment of business processes, management reorganizations, and other associated activities. We currently estimate that we will incur aggregate restructuring charges of between \$50.0 million and \$75.0 million, which will consist primarily of cash charges, with respect to our cost efficiency initiative, including \$8.0 million of the \$14.6 million in cash restructuring charges that we recorded in the fourth quarter of 2017. We currently expect the restructuring charges under this initiative to continue through mid-2019.

We may also propose additional future restructuring actions or divestitures as a result of changes in our business, the marketplace and/or our exit from less profitable, under-performing, non-core or non-strategic operations. In addition, an increase in the frequency of customers transferring business to our EMS competitors, changes in the volumes they outsource, pricing pressures, or requests to transfer their programs among our sites or to lower-cost locations, may also result in our taking future restructuring actions. We may incur higher operating expenses during periods of transitioning programs within our network or to our competitors. Any such restructuring activities, if undertaken at all, could adversely impact our operating and financial results, and may require us to further adjust our operations.

(ii) Asset impairment:

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

	Year ended		
	December 31		
	2015	2016	2017
Asset impairment	\$12.2	\$ —	\$ —

We conduct our annual impairment assessment of goodwill, intangible assets and property, plant and equipment (Annual Impairment Assessment) in the fourth quarter of each year (which corresponds to our annual planning cycle), and whenever events or changes in circumstances indicate that the carrying amount of an asset, CGU or a group of CGUs may not be recoverable (triggering events). We recognize an impairment loss when the carrying amount of an asset, CGU or a group of CGUs exceeds its recoverable amount, which is measured as the greater of its expected value-in-use and its fair value less costs to sell. We did not identify any triggering event during the course of 2017 indicating that the carrying amount of our assets or CGUs may not be recoverable, other than with respect to our exit from the solar panel manufacturing business. In connection therewith, we recorded net impairment losses (through restructuring charges) of \$3.8 million on our solar panel manufacturing equipment in 2017, to reduce the carrying value of such equipment to its estimated fair value less costs to sell based on executed sale agreements.

In the fourth quarter of 2017, we performed our Annual Impairment Assessment and determined that there was no additional impairment as the recoverable amount of our assets and CGUs exceeded their respective carrying values as of December 31, 2017.

For our Annual Impairment Assessments, other than with respect to our solar panel manufacturing equipment in 2016 and 2017 (which were based on estimated fair value less costs to sell), we used cash flow projections based primarily on our plan for the following year and, to a lesser extent, on our three-year strategic plan and other financial projections. Our plans are primarily based on financial projections submitted by our subsidiaries in the fourth quarter of each year, together with inputs from our customer teams, and is subjected to in-depth reviews performed by various levels of management as part of our annual planning cycle. The plan for 2018 (used for our 2017 Annual Impairment Assessment) was approved by management and presented to our Board of Directors in December 2017.

In the fourth quarter of 2016, we performed our Annual Impairment Assessment and determined that, other than the write down of our solar panel manufacturing equipment (recorded through restructuring charges and described in clause (i) above), there was no impairment as the recoverable amount of our assets and CGUs exceeded their respective carrying values as of December 31, 2016.

In the fourth quarter of 2015, we performed our Annual Impairment Assessment, and in connection therewith, recorded non-cash impairment charges totaling \$12.2 million, comprised of \$6.5 million and \$5.7 million, against the property, plant and equipment of our CGUs in Japan and Spain, respectively. Such charges were primarily due to the reduction of our then-long-term cash flow projections for these CGUs as a result of reduced customer demand and

challenging market conditions that we were experiencing in these CGUs at that time, and our assessment of the continued negative impact of these factors on the future profitability of these two CGUs. After recording the 2015 impairment charges, the carrying value of the property, plant and equipment held by each such CGU was reduced to approximate the fair value of its real property at the end of 2015.

The recoverable amount of a CGU is the greater of its expected value-in-use and its fair value less costs to sell. The process of determining the recoverable amount of a CGU is subjective and requires management to exercise significant judgment in estimating future growth, profitability, and discount and terminal growth rates, among other factors. The assumptions used in our 2017 Annual Impairment Assessment were determined based on past experiences adjusted for expected changes in future

conditions. Where applicable, we engaged independent brokers to obtain market prices to estimate our real property and other asset values. For our 2017 assessment (where cash flow projections were used), we used cash flow projections ranging from 4 to 6 years (2016 — 1 to 7 years; 2015 — 3 to 10 years) for our CGUs, in line with the remaining useful lives of the CGUs' essential assets. Additionally, in order to estimate the cash flows beyond our most recent cash flow projection period used, we applied a perpetuity growth rate of 2%, which is consistent with long-term inflation guidance. We generally used our weighted-average cost of capital of approximately 9% (2016 — approximately 10%; 2015 — approximately 8%) to discount our cash flows. For our semiconductor CGU, however, we applied a discount rate of 17% to our cash flow projections for this CGU in 2015 through 2017 reflecting the higher risk inherent in these cash flows, notwithstanding the recent positive performance of this CGU.

As part of our annual impairment assessment of goodwill, we also perform sensitivity analysis for the relevant CGUs in order to identify the impact of changes in key assumptions, including projected growth rates, profitability, and discount and terminal growth rates. Our goodwill balance at December 31, 2017 of \$23.2 million was comprised of \$19.5 million attributable to our semiconductor CGU and \$3.7 million attributable to our Karel acquisition. For purposes of our 2017 impairment assessment of our semiconductor CGU, we assumed future revenue growth at an average compound annual growth rate of 9% over a 6-year period (2016 — 7% over a 7-year period; 2015 — 9% over an 8-year period), representing the remaining life of the CGU's most significant customer contract. We believe that this growth rate is supported by the level of new business awarded in recent years and the expectation of future new business awards. We also assumed that the average annual margins for this CGU over the projection period will be slightly above our overall margin performance for 2017, consistent with the average annual margins we assumed for our 2016 impairment analysis. For our 2017 Annual Impairment Assessment, we did not identify any key assumptions where a reasonable possible change would result in material impairments to our semiconductor CGU. For purposes of our 2017 impairment assessment of our Karel goodwill, we assumed modest revenue growth over a 4-year period, and average margins over the projection period equal to our overall margin performance for 2017. We did not identify any key assumptions where a reasonable possible change would result in material impairments related to the goodwill attributable to our acquisition of Karel.

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. Failure to realize the assumed revenues at an appropriate profit margin of a CGU could result in impairment losses in such CGU in future periods.

(iii) Loss on pension annuity purchases:

In March 2017, the Trustees of our U.K. Main pension plan entered into an agreement with a third party insurance company to purchase an annuity for participants of the Main plan who have retired. The purchase of the annuity resulted in a non-cash loss of \$17.0 million which we recorded in other comprehensive income and simultaneously re-classified to deficit during 2017, with a corresponding reduction in the value of our pension assets which is recorded in other non-current assets on our consolidated balance sheet. See note 19(a) of our 2017 audited consolidated financial statements.

In April 2017, the Trustees of our U.K. Supplementary pension plan entered into an agreement with a third party insurance company to purchase an annuity for all participants of this plan. The purchase of the annuity resulted in a non-cash loss of \$1.9 million which we recorded during 2017 in other charges in our consolidated statement of operations, with a corresponding reduction in the value of our pension assets which is recorded in other non-current assets on our consolidated balance sheet. This non-cash loss is recorded through our consolidated statement of operations as we anticipate transferring the pension annuity to individual plan members and winding up the plan in 2018. See note 19(a) of our 2017 audited consolidated financial statements.

(iv) Toronto transition costs:

In connection with the anticipated sale of our Toronto real property, we entered into a long-term lease in November 2017 (in the Greater Toronto area) for the relocation of our Toronto manufacturing operations, with occupancy anticipated to commence at the end of the first quarter of 2018. We currently expect to complete the transition to this new manufacturing location by the end of the first quarter of 2019. In addition, should the sale be consummated, we will enter into a short-term interim lease with the purchasers of our Toronto real property for our existing corporate headquarters and manufacturing premises on a portion of the real estate on a rent-free basis (subject to certain payments, including taxes and utilities), followed by a long-term lease with such purchasers for our new corporate headquarters. In connection therewith, we intend to move such headquarters to a temporary location while space in a new office building (to be built by such purchasers on the site of our current location) is under construction. The temporary office relocation is currently expected to occur by the end of the first quarter of 2019. We will incur significant costs throughout the transition period (which commenced in the fourth quarter of 2017) to relocate our corporate headquarters and

to transfer our Toronto manufacturing operations to its new location, and as we prepare and customize the new site to meet our manufacturing needs. These costs will consist of building improvements and new equipment which we will capitalize, as well as transition-related costs which we will record in other charges. Transition costs are comprised of direct relocation costs, duplicate costs (such as rent expense, utility costs, depreciation charges, and personnel costs) incurred during the transition period, as well as cease-use costs incurred in connection with idle or vacated portions of the relevant premises that we would not have incurred but for these relocations. Any amounts received from the purchasers of our Toronto real property, or gains recorded in connection with its sale, will be recorded as recoveries through other charges (recoveries). In the fourth quarter of 2017, we recorded \$1.6 million of such transition costs, consisting of utility costs related to idle premises, depreciation charges and personnel costs used in the operation of duplicate production lines in advance of the transition.

(v) Other:

In 2017, we recorded \$4.5 million for consulting, transaction and integration costs related to potential and completed acquisitions (Acquisition Costs).

In 2016, we recorded \$1.4 million of Acquisition Costs pertaining to our acquisition of Karel (2015 — nil), and received recoveries of damages (Damage Recoveries) of \$12.0 million in connection with the settlement of class action lawsuits in which we were a plaintiff, related to certain purchases we made in prior periods (2015 — nil). The Damage Recoveries in 2016 were offset in part by the cost to settle an unrelated legal matter.

Refund interest income:

In 2016, we received refund interest income totaling \$14.3 million in connection with the resolution of certain previously disputed tax matters. See “Income taxes” below.

Income taxes:

For 2017, we had a net income tax expense of \$27.4 million on earnings before tax of \$132.4 million, compared to a net income tax expense of \$24.7 million on earnings before tax of \$161.0 million for 2016 and a net income tax expense of \$42.2 million on earnings before tax of \$109.1 million for 2015.

Our net income tax expense for 2017 of \$27.4 million was favorably impacted by the recognition of a deferred income tax benefit of \$4.3 million (Solar Benefit) related to our solar assets (discussed below), which was largely offset by deferred income tax expense related to taxable temporary differences associated with the anticipated repatriation of undistributed earnings from certain of our Chinese subsidiaries, and a \$2.0 million deferred income tax expense related to recently enacted U.S. Tax Reform (discussed below). In connection with our exit from the solar panel manufacturing business, we withdrew one of our tax incentives in Thailand (which related solely to such operations) during the second quarter of 2017. The withdrawal of this incentive allows us to apply future tax losses arising from the ultimate disposition of our solar assets against other fully taxable profits in Thailand, resulting in the recognition of the \$4.3 million Solar Benefit. The Solar Benefit was reduced (from \$5.0 million as disclosed in the second quarter of 2017) based on adjustments to the impairment charges we recorded for our solar assets throughout 2017. Our net income tax expense for 2017 was also favorably impacted by taxable foreign exchange benefits resulting from the strengthening of the Malaysian ringgit and Chinese renminbi relative to the U.S. dollar. Our functional and reporting currency is the U.S. dollar; however, our income tax expense is based primarily on taxable income determined in the currency of the country of origin. As a result, foreign currency translation differences impact our income tax expense from period to period.

The U.S. Tax Reform was enacted on December 22, 2017 and became effective January 1, 2018. Although the legislative changes contained in the U.S. Tax Reform are extensive and the interpretation of several aspects of such U.S. Tax Reform is still unclear, we recorded an income tax expense for all significant known and determinable impacts during the fourth quarter of 2017. In connection with the reduction in U.S. federal corporate tax rates from 35% to 21%, we recorded a one-time, non-cash increase to our deferred income tax expense of \$2.0 million, or \$0.01 per diluted share, to re-value our recognized net deferred tax assets. We believe we have recorded all significant one-time impacts resulting from the U.S. Tax Reform in the fourth quarter of 2017, but will continue to assess additional impacts, if any, throughout 2018 as they become known due to changes in our interpretations and assumptions, as well as additional regulatory guidance that may be issued. See “Critical Accounting Policies and Estimates” above.

Our net income tax expense for 2016 of \$24.7 million was favorably impacted by a reversal of provisions previously recorded for tax uncertainties related to the final reassessments and settlement of tax accounts in connection with the resolution of a transfer pricing matter for one of our Canadian subsidiaries. In connection therewith, we recorded aggregate income tax recoveries of \$45 million Canadian dollars (approximately \$34 million at the exchange rates at the time of recording), as well as aggregate refund interest income of \$14.3 million. Our net income tax expense for 2016 was negatively impacted by withholding taxes of \$1.5 million pertaining to the repatriation of \$50.0 million from a U.S. subsidiary, deferred income tax expense of \$8.0 million related to taxable temporary differences associated with the then-anticipated repatriation of undistributed earnings from certain of our Chinese subsidiaries, as well as taxable foreign exchange impacts of \$7.3 million resulting from the weakening of the Malaysian ringgit and Chinese renminbi relative to the U.S. dollar (Currency Tax Expense). There was no tax impact recorded in 2016 associated with the \$21.2 million non-cash impairment charges (recorded through restructuring), however, as discussed above, we recorded the Solar Benefit of \$4.3 million in 2017.

Our net income tax expense for 2015 of \$42.2 million was negatively impacted by a Currency Tax Expense of \$12.2 million. There was no net tax impact associated with the \$12.2 million non-cash impairment charge we recorded in 2015.

We conduct business operations in a number of countries, including countries where tax incentives have been extended to encourage foreign investment or where income tax rates are low. Our effective tax rate can vary significantly from period to period for various reasons, including as a result of the mix and volume of business in various tax jurisdictions, and in jurisdictions with tax holidays and tax incentives that have been negotiated with the respective tax authorities (see discussion below). Our effective tax rate can also vary as a result of restructuring charges, foreign exchange fluctuations, operating losses, cash repatriations, certain tax exposures, the time period in which losses may be used under tax laws and whether management believes it is probable that future taxable profit will be available to allow us to recognize deferred income tax assets.

Certain countries in which we do business grant tax incentives to attract and retain our business. Our 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 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.

We continue to negotiate Malaysian income tax incentives for one of our Malaysian subsidiaries, and expect to be granted new pioneer incentives for only limited portions of our Malaysian business. Since the expiry of our previous incentives at the end of 2014, we have been recording Malaysian income taxes at full statutory tax rates. As these negotiations are ongoing, including the activities covered, exemption levels, incentive conditions or commitments, and the effective commencement date of the incentive, we are currently unable to quantify the benefits or applicable periods of any such incentives, and there can be no assurance that any such incentives will be granted.

We have multiple income tax incentives in Thailand with varying exemption periods. These incentives initially allow for a 100% income tax exemption (including distribution taxes), which after eight years transition to a 50% income tax exemption for the next five years (excluding distribution taxes). Upon full expiry of each of the incentives, taxable profits associated with such expired tax incentives become fully taxable. As a result of our exit from the solar panel manufacturing business, we withdrew our tax incentive related to our solar panel manufacturing operations in Thailand during the second quarter of 2017. Two of our remaining three Thailand tax incentives expire between 2019 and 2020, while the third incentive will transition to the 50% exemption in 2022, and expire in 2027. The withdrawal of the solar-related tax incentive in Thailand resulted in recognition in 2017 of the \$4.3 million Solar Benefit, as such withdrawal allows future tax losses arising from the ultimate disposition of our solar assets to be applied against other

fully taxable profits in Thailand.

In certain jurisdictions, primarily in the Americas and Europe, we currently have significant net operating losses and other deductible temporary differences, which we expect will be used to reduce taxable income in these jurisdictions in future periods, although not all are currently recognized as deferred tax assets.

We develop our tax filing positions based upon the anticipated nature and structure of our business and the tax laws, administrative practices and judicial decisions currently in effect in the jurisdictions in which we have assets or conduct business, all of which are subject to change or differing interpretations, possibly with retroactive effect. We are subject to tax audits of historical information by tax authorities in various jurisdictions which could result in additional tax expense in future periods relating to prior results. Reviews by tax authorities generally focus on, but are not limited to, the validity of our inter-company transactions, including financing and transfer pricing policies which generally involve subjective areas of taxation and a significant

degree of judgment. 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.

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.

As previously disclosed, Canadian tax authorities withdrew their position related to certain transfer pricing matters involving one of our Canadian subsidiaries and reversed their adjustments for the years 2001 through 2004. In connection therewith, in the second half of 2016, we recorded aggregate current income tax recoveries of \$45 million Canadian dollars (approximately \$34 million at the exchange rates at the time of recording) to reverse previously recorded provisions for tax uncertainties related to transfer pricing, as well as aggregate refund interest income of \$19 million Canadian dollars (\$14.3 million at the exchange rates at the time of recording) for cash held on account with the tax authorities in connection with such matters. Canadian tax authorities had also taken an unfavorable position relating to the deductibility of certain Canadian interest amounts, which we successfully appealed. The Canadian tax authorities issued revised reassessments and the matter was closed in the fourth quarter of 2016. As a result of the resolution of the above tax matters, we received \$70 million Canadian dollars (approximately \$52 million at settlement date exchange rates) during the fourth quarter of 2016, representing the refund of cash previously deposited on account with the Canadian tax authorities and related refund interest income, and \$6 million Canadian dollars (approximately \$4 million at settlement date exchange rates) in January 2017. The aggregate amount of cash refunds received represented the return of all deposits and related refund interest in respect of the Canadian tax matters.

In 2015, we de-recognized the future benefit of certain Brazilian tax losses, which were previously recognized on the basis that these tax losses could be fully utilized to offset unrealized foreign exchange gains on inter-company debts that would become realized in the fiscal period ending on the date of dissolution of our Brazilian subsidiary. Due to the weakening of the Brazilian real against the U.S. dollar, the unrealized foreign exchange gains had diminished to the point where the tax cost to settle such inter-company debt was significantly reduced. Accordingly, our Brazilian inter-company debts were settled on April 7, 2015 triggering a tax liability of \$1 million and the relevant tax costs related to the foreign exchange gains were accrued as at December 31, 2015.

The successful pursuit of assertions made by any taxing authority could result in our owing significant amounts of tax, interest and possibly penalties. We believe we adequately accrue for any probable potential adverse tax ruling. However, there can be no assurance as to the final resolution of any claims and any resulting proceedings. If any 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 accrued.

#### Acquisitions:

In November 2016, we acquired the business assets of Karel for a cash purchase price of \$14.9 million (see "Summary of 2016" above). In January 2018, we entered into a definitive agreement to acquire U.S.-based Atrenne (see "Overview — Recent developments" above). There can be no assurance that the Atrenne acquisition will be completed in a timely manner, or at all.

We may, at any time, be engaged in ongoing discussions with respect to possible acquisitions that could expand our revenue base and/or service offerings, increase our penetration in various industries, establish strategic relationships with new or existing customers, enhance our competitiveness, and/or enhance our global supply chain network. There can be no assurance that any of these discussions will result in a definitive purchase agreement and, if they do, what the terms or timing of any such agreement would be. There can also be no assurance that any acquisition will be

successfully integrated or will generate the returns we expect.

We may fund acquisitions from cash on hand, third-party borrowings, the issuance of securities, or a combination thereof.

## Liquidity and Capital Resources

## Liquidity

The following tables set forth key liquidity metrics for the periods indicated (in millions):

	December 31		
	2015	2016	2017
Cash and cash equivalents	\$545.3	\$557.2	\$515.2
Borrowings under credit facility	262.5	227.5	187.5

	Year end December 31		
	2015	2016	2017
Cash provided by operating activities	\$196.3	\$173.3	\$127.0
Cash used in investing activities	(75.3 )	(64.0 )	(89.3 )
Cash used in financing activities	(140.7 )	(97.4 )	(79.7 )

Changes in non-cash working capital items (included in operating activities above):

A/R	\$12.5	\$(104.6)	\$25.7
Inventories	(75.6 )	(89.5 )	(171.2 )
Other current assets	38.2	(5.3 )	(2.0 )
A/P, accrued and other current liabilities and provisions	28.8	75.4	52.1
Working capital changes	\$3.9	\$(124.0)	\$(95.4 )

Cash provided by operating activities:

In 2017, we generated \$127.0 million of cash from operating activities compared to \$173.3 million in 2016. The decrease in cash provided by operating activities as compared to 2016 was primarily due to the income tax refund of \$52 million related to the resolution of certain tax matters we received in the fourth quarter of 2016 (See “Operating results — Income taxes” above), and the decrease in net earnings in 2017, offset in part by \$28.6 million in lower working capital requirements in 2017 as compared to the prior year. Lower working capital requirements in 2017 were primarily due to improvements in A/R from the prior year, offset in part by higher inventory levels. Cash generated from A/R improved compared to 2016, primarily due to lower revenue levels in the fourth quarter of 2017 compared to the same period in 2016, as well as \$30.0 million of additional A/R sold under our A/R sales program in 2017 compared to 2016, which we used as an alternative to drawing on our Revolving Facility. Our inventory levels increased compared to 2016, in part to support our new program ramps, but also as a result of demand volatility in our Communications and Enterprise end markets, including late changes from certain customers, as well as materials constraints throughout 2017, all of which resulted in us carrying higher than expected levels of inventory at December 31, 2017. We expect these adverse market conditions to continue into 2018.

From time to time, we extend the payment terms applicable to certain customers, and/or provide longer payment terms to new customers or with respect to new programs. If this becomes more prevalent, it could adversely impact our working capital requirements, and increase our financial exposure and credit risk. Commencing in the fourth quarter of 2016, the payment terms of one of our significant customers was extended. In connection therewith, we registered for that customer's supplier financing program pursuant to which participating suppliers may sell A/R from such customer to a third-party bank on an uncommitted basis in order to receive earlier payment. At December 31, 2017, we sold \$52.3 million of A/R under this program (December 31, 2016 — \$51.4 million; December 31, 2015 — nil). We utilized this program to substantially offset the effect of the extended payment terms on our working capital for the period. We pay interest with respect to this arrangement, which we record in finance costs in our consolidated statement of operations.



In 2016, we generated \$173.3 million in cash from operating activities compared to \$196.3 million in 2015. The decrease in cash provided by operating activities as compared to 2015 was primarily due to \$127.9 million in higher working capital requirements in 2016 to support our growth, offset in part by the increase in net earnings in 2016 and the cash income tax refund of \$52 million we received in the fourth quarter of 2016. See “Operating results — Income taxes” above. Higher inventory levels were required in 2016 compared to 2015, primarily to support new customer programs and increased demand from certain customers, and the increase in accounts receivable reflected the higher revenue levels in 2016 and the timing of revenue in the fourth quarter of 2016.

#### Free cash flow (non-IFRS):

Our non-IFRS free cash flow (defined below) of \$21.0 million for 2017 decreased \$89.2 million compared to 2016, primarily due to lower cash generated from operating activities in 2017 (discussed above) and \$38.5 million of higher capital expenditures in 2017 as compared to 2016. We continue to invest in our manufacturing capabilities globally and to support new customer programs (see “Cash used in investing activities” below).

Our non-IFRS free cash flow of \$110.2 million for 2016 decreased \$3.0 million compared to 2015, primarily due to higher use of cash for operating activities in 2016 (as discussed above) compared to 2015, offset in part by the repayment of \$14 million in cash advances by a former solar supplier in 2016.

Non-IFRS free cash flow is defined as cash provided by or used in operations after the purchase of property, plant and equipment (net of proceeds from the sale of certain surplus equipment and property), finance lease payments, repayments from a former solar supplier, and finance costs paid. As a measure of liquidity, in periods where it is relevant (the third quarter of 2015), non-IFRS free cash flow also included deposits received on the anticipated sale of our Toronto real property. Similarly, it is our intention to include any amounts received from the purchasers of our Toronto real property (should the sale be consummated) in non-IFRS free cash flow in the period of receipt. Note, that non-IFRS free cash flow, however, does not represent residual cash flow available to Celestica for discretionary expenditures. Management uses non-IFRS free cash flow as a measure, in addition to IFRS cash provided by or used in operations, to assess our operational cash flow performance. We believe non-IFRS free cash flow provides another level of transparency to our liquidity. A reconciliation of this measure to cash provided by operating activities measured under IFRS is set forth below:

	Year ended December 31		
	2015	2016	2017
IFRS cash provided by operations	\$196.3	\$173.3	\$127.0
Purchase of property, plant and equipment, net of sales proceeds	(60.0 )	(63.1 )	(101.8 )
Deposit on anticipated sale of real property	11.2	—	—
Finance lease payments	—	(4.5 )	(6.5 )
Repayments from (advances to) former solar supplier	(26.5 )	14.0	12.5
Finance costs paid	(7.8 )	(9.5 )	(10.2 )
Non-IFRS free cash flow	\$113.2	\$110.2	\$21.0

#### Cash used in investing activities:

Our capital expenditures for 2017 were \$102.6 million (2016 — \$64.1 million; 2015 — \$62.8 million). The capital expenditures were incurred primarily as a result of increased investments, primarily to enhance our manufacturing capabilities in various geographies and to support new customer programs. These expenditures in 2017 included expanding one of our production sites in Romania to support new ATS customers. We funded these capital expenditures from cash on hand. From time-to-time, we receive cash proceeds from the sale of surplus equipment and property. In 2015, we received a cash deposit of \$11.2 million related to the anticipated sale of our Toronto real property. See “Cash Requirements” below for a description of the Property Sale Agreement.

In November 2016, we completed the acquisition of Karel. The purchase price of \$14.9 million was financed with cash on hand. See “Summary of 2016” above.

In 2015, we entered into a supply agreement with a solar supplier (which was terminated in the fourth quarter of 2016) that included a commitment by us to provide cash advances to help secure our solar cell supply (prior to our exit from this business). All such cash advances were repaid in full by the second quarter of 2017. We advanced \$26.5 million under this agreement in 2015 (net of repayments in 2015) and received cash repayments from the solar supplier of \$12.5 million in 2017 (2016 — \$14.0 million). See “Summary of 2017” above for a discussion of accounts receivable that remain outstanding from this entity as a customer.

Cash used in financing activities:

Share repurchases for cancellation:

During 2017, we paid \$19.9 million (including transaction fees) to repurchase and cancel 1.9 million subordinate voting shares under our 2017 NCIB, which was launched in November 2017, at a weighted average price of \$10.58 per share.

During 2016, we paid \$34.3 million (including transaction fees) to repurchase and cancel 3.2 million subordinate voting shares under the 2016 NCIB at a weighted average price of \$10.69 per share, including 2.8 million subordinate voting shares repurchased under a \$30.0 million PSR we funded in March 2016 and completed in May 2016. Our 2016 NCIB expired in February 2017.

In addition to the completion of a \$350.0 million SIB in 2015, pursuant to which we repurchased and cancelled approximately 26.3 million subordinate voting shares, we also paid \$19.8 million (including transaction fees) in 2015 to repurchase and cancel 1.7 million subordinate voting shares under an NCIB we launched in 2014 at a weighted average price of \$11.66 per share.

The SIB was funded with the proceeds of our \$250.0 million Term Loan, \$25.0 million drawn on our Revolving Facility and \$75.0 million of cash. See “Capital Resources” below for a description of the Term Loan and Revolving Facility. We borrowed an additional \$40.0 million under the Revolving Facility in 2016 to fund a portion of the share repurchases under our 2016 NCIB (described above), including under the \$30.0 million PSR. During 2017, we made scheduled quarterly principal repayments of \$25.0 million (2016 — \$25.0 million; 2015 — \$12.5 million) under the Term Loan and a \$15.0 million (2016 — \$50.0 million; 2015 — nil) repayment under the Revolving Facility.

Finance costs:

During 2017, we paid finance costs of \$10.2 million (2016 — \$9.5 million; 2015 — \$7.8 million) (see “Cash requirements” below). Finance costs in 2015 included \$2.1 million of debt issuance costs in connection with the amendment of our credit facility in May 2015. Commencing in June 2015, finance costs include interest on the Term Loan.

Treasury share repurchases:

During 2017, we paid \$16.7 million (including transaction fees) for a broker to purchase 1.4 million subordinate voting shares in the open market to satisfy delivery obligations under our stock-based compensation plans (2016 — \$18.2 million paid to purchase 1.6 million subordinate voting shares; 2015 — \$28.9 million paid to purchase 2.5 million subordinate voting shares).

Finance lease payments:

During 2017, we paid \$6.5 million (2016 — \$4.5 million; 2015 — nil) under our finance lease agreements (see “Cash Requirements” below). Payments under these leases reduce our non-IFRS free cash flow. At December 31, 2017, \$11.1

million (December 31, 2016 — \$15.3 million; December 31, 2015 — \$19.0 million) of our finance lease obligations related to our solar panel manufacturing equipment. In connection with the anticipated disposition of such equipment, we terminated and settled these obligations in full in January 2018.

Cash requirements:

We maintain the Revolving Facility, uncommitted bank overdraft facilities, and an A/R sales program, and participate in a customer's supplier financing program, to provide short-term liquidity and to have funds available for working capital and other investments to support our strategic priorities. Our working capital requirements can vary significantly from month-to-month due to a range of business factors, including the ramping of new programs, expansion of our services and business operations, timing of purchases, higher levels of inventory for new programs and anticipated customer demand, timing of payments and A/R collections, and customer forecasting variations. The international scope of our operations may also create working capital requirements in certain countries while other countries generate cash in excess of working capital needs. Moving cash between countries on a short-term basis to fund working capital is not always expedient due to local currency regulations, tax considerations, and other factors. To meet our working capital requirements and to provide short-term liquidity, we may draw on our Revolving Facility, sell A/R through our A/R sales program or participate in a customer's supplier financing program, while available. The timing and the amounts we borrow or repay under these facilities can vary significantly from month-to-month depending upon our cash requirements. In addition, since our A/R sales program and the supplier financing program are both on an uncommitted basis, there can be no assurance that any participant bank will purchase the accounts receivable we wish to sell to them under these programs. See "Capital Resources" below.

We do not believe that the aggregate amounts outstanding under our credit facility (together with amounts expected to be borrowed in connection with our anticipated acquisition of Atrenne) have had or will have a material adverse impact on our liquidity, our results of operations or financial condition. We are required to make quarterly principal repayments on the Term Loan of \$6.25 million. We anticipate that interest on the Term Loan, based on current interest rates, will be less than \$2 million per quarter. We anticipate that interest on the Revolving Facility, should our acquisition of Atrenne be consummated, will be approximately \$1 million per quarter, based on current interest rates and anticipated borrowings. Any increase in prevailing interest rates or margins could cause this amount to increase. See "Capital Resources — Financial risks — Interest rate risk" below. We believe that cash flow from operating activities, together with cash on hand, availability under our Revolving Facility and intra-day and overnight bank overdraft facilities, and cash from the sale of A/R, will be sufficient to fund our acquisition of Atrenne (if consummated), as well as our working capital needs and planned capital spending (including the commitments described elsewhere herein).

We may use cash on hand, issue debt (including convertible debt) or equity securities, and are likely to increase our levels of third-party indebtedness (or any combination thereof) in the future to fund operations and/or make acquisitions. Any significant use of cash may adversely impact our cash position and liquidity. Any issuance or incurrence of debt would increase our debt leverage, and may reduce our debt agency ratings. In addition, any issuance of equity or convertible debt securities (the pricing of which would be subject to market conditions at the time of issuance) could dilute current shareholders' positions; debt or convertible debt securities could have rights and privileges senior to those of equity holders; and the terms of debt securities could impose restrictions on our operations. Sales of our equity securities or convertible debt, or the perception that these sales could occur, could also cause the market price of our subordinate voting shares to decline. Any increase in our overall debt levels and/or the terms of any new or refinanced credit facility could: limit our ability to refinance our indebtedness on terms acceptable to us or at all; limit our flexibility to plan for and adjust to changing business and market conditions, and increase our vulnerability to general adverse economic and industry conditions; require us to dedicate a substantial portion of our cash flow to make interest and principal payments on such indebtedness, thereby limiting the availability of our cash flow to fund future acquisitions, working capital, business activities, and other general corporate requirements; limit our ability to obtain additional financing for working capital, to fund growth or for general corporate purposes; and subject us to higher levels of indebtedness than our competitors, which may cause a competitive disadvantage and may reduce our flexibility in responding to increased competition. In addition, the terms of any new or refinanced credit facility may contain restrictive covenants that limit our ability to engage in specified

types of transactions and could require us to maintain specified financial ratios and satisfy other financial condition tests. Our ability to meet those financial ratios and tests will depend on our ongoing financial and operating performance, which, in turn, will be subject to economic conditions and to financial, market, and competitive factors, many of which are beyond our control. A breach of any of such covenants could result in a default under the instruments governing such indebtedness.

As at December 31, 2017, a significant portion of our cash and cash equivalents was held by foreign subsidiaries outside of Canada and is subject to withholding taxes, if applicable, upon repatriation under current tax laws. Cash and cash equivalents held by subsidiaries related to undistributed earnings that are considered indefinitely reinvested outside of Canada (which we do not intend to repatriate in the foreseeable future) are not subject to these withholding taxes. We currently expect to repatriate approximately \$63 million from our Chinese subsidiaries and approximately \$25 million from our Malaysian subsidiaries in the near term and have recorded the anticipated future withholding taxes as deferred income tax liabilities. While some of our

subsidiaries are subject to local governmental restrictions on the flow of capital into and out of their jurisdictions (including in the form of cash dividends, loans or advances to us), which is required or desirable from time to time to meet our international working capital needs and other business objectives (as described above), these restrictions have not had a material impact on our ability to meet our cash obligations. At December 31, 2017, we had approximately \$351 million (December 31, 2016 — \$340 million) of cash and cash equivalents that were held by foreign subsidiaries outside of Canada that we do not intend to repatriate in the foreseeable future.

As at December 31, 2017, we had known contractual obligations that require future payments as follows (in millions):

	Total	2018	2019	2020	2021	2022	Thereafter
Borrowings under credit facility <sup>(i)</sup>	\$187.5	\$25.0	\$25.0	\$137.5	\$—	\$—	\$ —
Operating leases	116.4	33.2	25.7	15.5	9.2	7.4	25.4
Finance leases <sup>(ii)</sup>	18.2	13.2	2.0	1.6	1.1	0.3	—
Pension plan contributions <sup>(iii)</sup>	11.9	11.9	—	—	—	—	—
Non-pension post-employment plan payments	37.1	4.2	2.4	3.0	2.9	3.1	21.5
Binding purchase order obligations <sup>(iv)</sup>	870.0	870.0	—	—	—	—	—
Purchase obligations under IT support agreements <sup>(v)</sup>	36.4	20.7	11.2	3.4	1.1	—	—
Total <sup>(vi)</sup>	\$1,277.5	\$978.2	\$66.3	\$161.0	\$14.3	\$10.8	\$ 46.9

Represents mandatory principal repayment obligations for our borrowings under the Revolving Facility and the Term Loan (based on amounts outstanding as of December 31, 2017), which mature concurrently on May 29, 2020, and excludes related interest and fees. The Term Loan requires mandatory quarterly principal repayments of \$6.25 million until its maturity (when remaining amounts outstanding are due), and borrowings under the Revolving Facility are due upon maturity. Borrowings under the Revolving Facility bear interest for the period of the draw at various base rates selected by us consisting of LIBOR, Prime, Base Rate Canada, and Base Rate (each as defined in our current credit agreement), plus a margin ranging from 0.6% to 1.4% (except in the case of the LIBOR base rate, in which case, the margin ranges from 1.6% to 2.4%), based on a specified financial ratio based on indebtedness. Outstanding amounts under the Term Loan bear interest at LIBOR plus a margin ranging from 2.0% to 3.0% based on the same financial ratio. Based on the rates and the principal amount outstanding under the Term Loan (\$187.5 million) and the Revolving Facility (\$0.00) as of December 31, 2017, interest and fees are estimated to be less than \$2 million per quarter, however, our interest expense is expected to increase by approximately \$1 million per quarter if we use the Revolving Facility to partially fund our acquisition of Atrenne as anticipated. Actual amounts could differ materially from these estimates. Payment defaults under the credit facility will incur interest on unpaid amounts at an annual rate equal to the sum of (i) 2%, plus (ii) the Prime Rate, in the case of overdue amounts payable in Canadian dollars, or the Base Rate Canada, in the case of overdue amounts payable in U.S. dollars. If an event of default occurs and is continuing, the administrative agent may declare all advances on the facility to be immediately due and payable, and may cancel the lenders' commitments to make further advances thereunder. See “Capital Resources” below and note 12 to our 2017 audited consolidated financial statements for a description of our credit facility, including amounts outstanding thereunder, repayment dates and interest obligations.

Represents contractual obligations under finance leases, including \$11.1 million related to solar panel manufacturing equipment (recorded as a current liability at December 31, 2017). In connection with the anticipated disposition of our solar equipment, we terminated and settled the remaining lease obligations related to this equipment in full in January 2018.

Based on our latest actuarial valuations, we estimate our funding requirement for 2018 to be \$11.9 million (2017 — \$11.9 million; 2016 — \$19.4 million). In mid-2016, we provided a parental guarantee to the Trustees of our U.K. pension plans, and since the plans were considered sufficiently funded, no further contributions to these plans

were required. See further details in note 19 to our 2017 audited consolidated financial statements. A significant deterioration in the asset values or asset returns could lead to higher than expected future contributions. Risks and uncertainties associated with actuarial valuation measurements may also result in higher future cash contributions. We fund our pension contributions from cash on hand. Although we have defined benefit plans that are currently in a net unfunded position, we do not expect our pension obligations will have a material adverse impact on our future results of operations, cash flows or liquidity.

(iv) Represents outstanding purchase orders with suppliers to acquire inventory. These purchase orders are generally short-term in nature and legally binding. However, a substantial portion of these purchase orders are for standard inventory items which we have procured for specific customers based on their purchase orders or forecasts, under which such customers have contractually assumed liability for such material, if not consumed.

(v) Represents obligations under IT support agreements.

(vi) This table excludes \$27.5 million of long-term deferred income tax liabilities and \$35.4 million of provisions and other non-current liabilities primarily pertaining to warranties and asset retirement obligations, as we are unable to reliably estimate the timing of any future payments related thereto. However, long-term liabilities included in our consolidated balance sheet include these items.

As at December 31, 2017, we had additional commitments that expire as follows (in millions):

	Total	2018	2019	2020	2021	2022	Thereafter
Foreign currency contracts <sup>(i)</sup>	\$576.1	\$576.1	\$—	\$—	\$—	\$—	\$—
Letters of credit, letters of guarantee and surety bonds <sup>(ii)</sup>	36.8	10.5	1.2	23.2	0.2	—	1.7
Capital expenditures <sup>(iii)</sup>	27.5	27.5	—	—	—	—	—
Total	\$640.4	\$614.1	\$1.2	\$23.2	\$0.2	\$—	1.7

(i) Represents the aggregate notional amounts of our forward currency contracts and swaps.

(ii) Includes \$23.2 million in letters of credit issued under our Revolving Facility.

(iii) Our capital spending varies each period based on the timing of new business wins and forecasted sales levels. Based on our current operating plans, we anticipate capital spending for 2018 to be approximately 1.5% to 2.0% of revenue, and expect to fund these expenditures from cash on hand and through the financing agreements described below. As at December 31, 2017, we had committed \$27.5 million for capital expenditures, principally for machinery and equipment to support new customer programs, of which approximately 40% is committed for Asia, 25% is committed for North America (excluding Canada), 20% is committed for Canada and 15% is committed for Europe.

Customer or program transfers between EMS providers are part of the competitive nature of our industry. From time-to-time, we make commitments to purchase assets, primarily inventory, or fund certain costs, as part of transitioning programs from a customer or a competitor. In April 2015, we purchased \$27.6 million of inventory and assumed the relevant workforce in connection with a program transferred to us under an “operate-in-place” arrangement with one of our aerospace and defense customers. In September 2017, we purchased \$5 million of inventory and assumed the relevant workforce in connection with a similar arrangement.

We have entered into financing agreements for the lease of machinery and equipment. For leases where the risks and rewards of ownership have substantially transferred to us, we capitalize the leased asset and record a corresponding liability on our consolidated balance sheet. In relation to our former solar panel manufacturing business, we entered into five-year lease agreements in April 2015, pursuant to which we leased \$19.3 million of manufacturing equipment for our solar operations in Asia. At December 31, 2017, our remaining solar equipment lease obligations totaled \$11.1 million, which we settled in full in January 2018, in anticipation of the sale of such equipment. See “Finance leases” in the contractual obligations table above.

On July 23, 2015, we entered into a property sale agreement (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 (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 (approximately \$109 million at year-end exchange rates), exclusive of applicable taxes and subject to certain adjustments. 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, the Property Purchaser is to pay us an additional \$53.5 million Canadian dollars in cash (approximately \$43 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 (approximately \$55 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. In April 2017, we received notice from the Property Purchaser that the municipal zoning approval process required to complete

the transaction will take longer than originally anticipated. As a result, the purchaser exercised its option under the Property Sale Agreement to extend the approvals period by one year. Assuming the timely satisfaction of various conditions, we currently expect the transaction to close during 2018. However, there can be no assurance that this transaction will be completed during 2018, or at all. As part of the transaction, we have agreed, upon closing, to enter into a short-term interim lease for our existing corporate headquarters and manufacturing premises on a portion of the real estate on a rent-free basis (subject to certain payments including taxes and utilities), which is to be followed by a long-term lease for our new corporate headquarters, on commercially reasonable arm's-length terms. Whether or not this transaction is consummated, however, we are moving our existing Toronto manufacturing operations to another location.

In connection therewith, we entered into a long-term lease in November 2017 (in the Greater Toronto area) for the relocation of our Toronto manufacturing operations. Occupancy under such lease is anticipated to commence at the end of the first quarter of 2018. Such lease is included in the table above under “Operating Leases.” We currently expect to complete the transition to this new manufacturing location by the end of the first quarter of 2019. In addition (as noted above), should the sale be consummated, we will enter into a long-term lease with the Property Purchaser for our new corporate headquarters. In connection therewith, we intend to move such headquarters to a temporary location while space in a new office building (to be built by the Property Purchaser on the site of our current location) is under construction. The temporary office relocation is currently expected to occur by the end of the first quarter of 2019. We will incur significant costs throughout the transition period (which commenced in the fourth quarter of 2017) to relocate our corporate headquarters and to transfer our Toronto manufacturing operations to its new location, and as we prepare and customize the new site to meet our manufacturing needs. These costs will consist of building improvements and new equipment which we will capitalize, as well as transition-related costs which we will record in other charges. We expect to incur approximately \$16 million in building improvement and capital expenditure costs for the new manufacturing location, all anticipated to be incurred during 2018 and to be funded from cash on hand. We have incurred approximately \$2 million of such costs through February 14, 2018. Transition costs are comprised of direct relocation costs, duplicate costs (such as rent expense, utility costs, depreciation charges, and personnel costs) incurred during the transition period, as well as cease-use costs incurred in connection with idle or vacated portions of the relevant premises that we would not have incurred but for these relocations. Any amounts received from the purchasers of our Toronto real property or gains recorded in connection with its sale, will be recorded as recoveries through other charges (recoveries). We incurred \$1.6 million of such costs in the fourth quarter of 2017, consisting of utility costs related to idle premises, and depreciation charges and personnel costs used in the operation of duplicate production lines in advance of the transition. The costs, timing and execution of these relocations could have a material adverse impact on our business, our operating results and our financial position.

We have granted share unit awards to employees under our stock-based compensation plans. Under one such plan, we have the option to satisfy the delivery of shares upon vesting of the awards by purchasing subordinate voting shares in the open market or by settling such awards in cash, although we currently expect to satisfy these awards with subordinate voting shares purchased in the open market. Under our other stock-based compensation plan, we may (at the time of grant) authorize the grantee to elect to settle awards in either cash or subordinate voting shares. Absent such permitted election, grants will be settled in subordinate voting shares, which may be purchased in the open market or issued from treasury, subject to certain limits. The timing of, and the amounts paid for, these purchases can vary from period to period. We have funded, and expect to continue to fund, share repurchases for this purpose from cash on hand. During 2017, we paid \$16.7 million (2016 — \$18.2 million; 2015 — \$28.9 million) to purchase subordinate voting shares in the open market through a broker for this purpose.

We have funded and intend to continue to fund share repurchases under our NCIBs and our SIBs from cash on hand, borrowings under our Revolving Facility, or a combination thereof. During 2017, we paid \$19.9 million (2016 — \$34.3 million; 2015 — \$370.4 million), including transactions costs, to repurchase subordinate voting shares in the open market for cancellation.

We provide routine indemnifications, the terms of which range in duration and often are not explicitly defined. These may include indemnifications against third-party intellectual property infringement claims and certain third-party negligence claims for property damage. We have also provided indemnifications in connection with the sale of certain businesses and real property. The maximum potential liability from these indemnifications cannot be reasonably estimated. In some cases, we have recourse against other parties to mitigate our risk of loss from these indemnifications. Historically, we have not made significant payments relating to these types of indemnifications.

Litigation and contingencies:

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

In 2007, securities class action proceedings were initiated against us and our former Chief Executive and Chief Financial Officers in the Ontario Superior Court of Justice. The proceedings were dismissed on January 16, 2017 with no payments by the defendants.

In the third quarter of 2017, the Brazilian Ministry of Science, Technology, Innovation and Communications (MCTIC) issued assessments seeking to disqualify certain amounts of research and development (R&D) expenses for the years 2006 to 2009, which entitled our Brazilian subsidiary (which ceased operations in 2009) to charge reduced sales tax levies to its customers. The assessments against our Brazilian subsidiary (including interest and penalties) total approximately 39 million Brazilian real (approximately \$12 million at year-end exchange rates) for such years. Although we cannot predict the outcome of this matter, we believe that our R&D activities for the period are supportable, and it is probable that our position will be sustained upon full examination by the appropriate Brazilian authorities and, if necessary, upon consideration by the Brazilian judicial courts. Our position is supported by our Brazilian legal advisers.

### Capital Resources

Our capital resources consist of cash provided by operating activities, access to the Revolving Facility, intraday and overnight bank overdraft facilities, an A/R sales program, a customer's supplier financing program, and our ability to issue debt or equity securities. We regularly review our borrowing capacity and make adjustments, as permitted, for changes in economic conditions and changes in our requirements. As part of our strategic initiatives to scale and diversify our ATS end market revenue base and expand our capabilities in our ATS businesses, we may use cash on hand, issue equity or debt, and are likely to increase our levels of third-party indebtedness (or any combination thereof) in order to fund operations or acquisitions, which could adversely impact our cash position and liquidity, increase our debt leverage (in the case of the issuance or incurrence of debt), reduce our debt agency ratings, dilute the current holders of our subordinate voting shares, and/or decrease the market price of such shares. Issuances of debt or convertible debt securities could have rights and privileges senior to those of equity holders, and the terms of such securities could impose restrictions on our operations. In addition, increases in our overall indebtedness levels, and/or the terms of any new or refinanced credit facility, could limit our flexibility to plan for and adjust to changing business and market conditions, increase our vulnerability to general adverse economic and industry conditions, limit our ability to refinance our indebtedness on terms acceptable to us or at all, require us to dedicate a substantial portion of our cash flow to make interest and principal payments on such indebtedness, subject us to higher levels of indebtedness than our competitors (which may put us at a competitive disadvantage), subject us to restrictive and financial covenants, and limit our ability to obtain additional financing. See "Liquidity — Cash requirements" above for further detail. We centrally manage our funding and treasury activities in accordance with corporate policies, the main objectives of which are to ensure appropriate levels of liquidity, to have funds available for working capital or other investments we determine are required to grow our business, to comply with debt covenants, to maintain adequate levels of insurance, and to balance our exposures to market risks.

At December 31, 2017, we had cash and cash equivalents of \$515.2 million (December 31, 2016 — \$557.2 million), of which approximately 78% was cash and 22% was cash equivalents, consisting of bank deposits. The majority of our cash and cash equivalents was denominated in U.S. dollars, and the remainder was held primarily in Canadian dollars and Chinese renminbi. We also held cash and cash equivalents in the following currencies: British pound sterling, Brazilian real, Czech koruna, Euro, Hong Kong dollar, Indian rupee, Japanese yen, Lao kip, Malaysian ringgit, Mexican peso, Philippines peso, Romanian leu, Singapore dollar, Taiwan dollar and Thai baht.

The majority of our cash and cash equivalents is held with financial institutions each of which had at December 31, 2017 a Standard and Poor's short-term rating of A-1 or above. Our cash and cash equivalents are subject to intra-quarter swings, generally related to the timing of A/R collections, inventory purchases and payments, and other capital uses.

We are party to an amended and restated credit agreement that consists of the \$300.0 million Revolving Facility and the \$250.0 million non-revolving Term Loan (which is fully drawn), each of which matures in May 2020. The Term Loan was used to fund a portion of our share repurchases under a 2015 SIB. The remainder of the SIB was funded

with \$25.0 million drawn on the Revolving Facility (which has since been repaid) and \$75.0 million in cash. The Revolving Facility has an accordion feature that allows us to increase the \$300.0 million limit by an additional \$150.0 million on an uncommitted basis upon satisfaction of certain terms and conditions. The Revolving Facility also includes a \$25.0 million swing line, subject to the overall revolving credit limit, that provides for short-term borrowings up to a maximum of seven days. The Revolving Facility permits us and certain designated subsidiaries to borrow funds for general corporate purposes, including acquisitions. Borrowings under the Revolving Facility bear interest for the period of the draw at various base rates selected by us consisting of LIBOR, Prime, Base Rate Canada, and Base Rate (each as defined in the amended credit agreement), plus a margin. The margin for borrowings under the Revolving Facility ranges from 0.6% to 1.4% (except in the case of the LIBOR base rate, in which case, the margin ranges from 1.6% to 2.4%), based on a specified financial ratio based on indebtedness. Outstanding amounts under the Revolving Facility are due at maturity (but are required to be repaid prior thereto under specified circumstances). Amounts under the Revolving Facility are generally drawn for fixed periods of time, and if repaid, can be redrawn until the maturity date of the facility. The Term Loan bears

interest at LIBOR plus a margin ranging from 2.0% to 3.0% based on the same financial ratio. The Term Loan requires quarterly principal repayments of \$6.25 million, with the remainder due at maturity. We are permitted to make voluntary prepayments of the Term Loan, subject to certain terms and conditions. Prepayments on the Term Loan are also required under certain circumstances. Repaid amounts on the Term Loan may not be re-borrowed. During the first quarter of 2016, we borrowed \$40.0 million under the Revolving Facility to fund share repurchases under our 2016 NCIB, including the \$30.0 million PSR thereunder. In 2016, we repaid a total of \$50.0 million under the Revolving Facility and \$25.0 million under the Term Loan. In 2017, we repaid a total of \$15.0 million under the Revolving Facility and \$25.0 million under the Term Loan. During 2017, we incurred \$6.5 million in interest expense under our credit facility (2016 — \$7.3 million, 2015 — \$3.9 million). As of December 31, 2017, there were no amounts outstanding under our Revolving Facility.

We are required to comply with certain restrictive covenants under the credit facility, including those relating to the incurrence of senior ranking indebtedness, the sale of assets, a change of control, and certain financial covenants related to indebtedness and interest coverage. Certain of our assets are pledged as security for borrowings under this facility. If an event of default occurs and is continuing, the administrative agent may declare all advances on the facility to be immediately due and payable and may cancel the lenders' commitments to make further advances thereunder. At December 31, 2017, there was \$187.5 million outstanding under our Term Loan and no amounts outstanding under our Revolving Facility (December 31, 2016 — \$212.5 million outstanding under our Term Loan and \$15.0 million outstanding under our Revolving Facility), and we were in compliance with all restrictive and financial covenants thereunder. The credit facility is scheduled to mature in May 2020.

At December 31, 2017, we had \$23.2 million (December 31, 2016 — \$25.8 million) outstanding in letters of credit under the Revolving Facility. We also arrange letters of credit and surety bonds outside of the Revolving Facility. At December 31, 2017, we had \$13.6 million (December 31, 2016 — \$12.0 million) of such letters of credit and surety bonds outstanding.

At December 31, 2017, we had \$276.8 million available (December 31, 2016 — \$259.2 million available) under the Revolving Facility for future borrowings. We also have a total of \$73.5 million of uncommitted bank overdraft facilities available for intraday and overnight operating requirements. There were no amounts outstanding under these overdraft facilities at December 31, 2017 or December 31, 2016.

We have an accounts receivable sales agreement to sell up to \$200.0 million (reduced from \$250.0 million on March 23, 2017 based on a review of our requirements under this agreement) at any one time in accounts receivable on an uncommitted basis (subject to pre-determined limits by customer) to two third-party banks. Each of these banks had a Standard and Poor's short-term rating of A-2 or above and a long-term rating of A- or above at December 31, 2017. The term of this agreement has been annually extended in recent years (including in November 2017) for additional one-year periods (and is currently extendable to November 2019 under specified circumstances) but may be terminated earlier as provided in the agreement. At December 31, 2017, \$80.0 million (December 31, 2016 — \$50.0 million) of A/R were sold under this program, and de-recognized from our accounts receivable balance. As our A/R sales program is on an uncommitted basis, there can be no assurance that any of the banks will purchase the A/R we intend to sell to them under this program.

We have entered into an agreement with a third-party bank as part of a customer's supplier financing program pursuant to which participating suppliers may sell accounts receivable from such customer to a third-party bank on an uncommitted basis in order to receive earlier payment. At December 31, 2017, we sold \$52.3 million of accounts receivable under this program (December 31, 2016 — \$51.4 million). We utilized this program to substantially offset the effect of extended payment terms required by such customer on our working capital for the period. As the supplier financing program is on an uncommitted basis, there can be no assurance that the bank will purchase the A/R we intend to sell to them thereunder.

The timing and the amounts we borrow and repay under our revolving credit and overdraft facilities, or sell under our A/R sales program or the supplier financing program, can vary significantly from month-to-month depending upon our working capital and other cash requirements.

Standard and Poor's assigns a corporate credit rating to Celestica. This rating is not a recommendation to buy, sell or hold securities, as it does not comment as to market price or suitability for a particular investor. This rating may be subject to revision or withdrawal at any time by the rating organization. At December 31, 2017, our Standard and Poor's corporate credit rating was BB, with a stable outlook. A reduction in our credit rating or change in outlook could adversely impact our future cost of borrowing.

Our strategy on capital risk management has not changed significantly since the end of 2016. Other than the restrictive and financial covenants associated with our credit facility noted above, we are not subject to any contractual or regulatory capital requirements. While some of our international operations are subject to government restrictions on the flow of capital into and out of their jurisdictions, these restrictions have not had a material impact on our operations or cash flows.

#### Financial instruments:

Our short-term investment objectives are to preserve principal and to maximize yields without significantly increasing risk, while at the same time not materially restricting our short-term access to cash.

The majority of our cash balances are held in U.S. dollars. We price the majority of our products in U.S. dollars and the majority of our materials costs are also denominated in U.S. dollars. However, a significant portion of our non-materials costs (including payroll, pensions, site costs and costs of locally sourced supplies and inventory) are denominated in various other currencies. As a result, we may experience foreign exchange gains or losses on translation or transactions due to currency fluctuations.

We have a foreign exchange risk management policy in place to govern our hedging activities. We do not enter into speculative trades. Our current hedging activity is designed to reduce the variability of our foreign currency costs where we have local manufacturing operations. We enter into foreign exchange forward contracts to hedge our cash flow exposures and foreign currency swaps to hedge our balance sheet exposures. Balance sheet hedges are based on our forecasts of the future position of net monetary assets or liabilities denominated in foreign currencies and, therefore, may not mitigate the full impact of any translation impacts in the future. There can be no assurance that our hedging transactions will be successful in mitigating our foreign exchange risk.

At December 31, 2017, we had foreign exchange forwards and swaps to trade U.S. dollars in exchange for the following currencies:

Currency	Contract amount in U.S. dollars (in millions)	Weighted average exchange rate of U.S. dollars	Maximum period in months	Fair value gain (loss) (in millions)
Canadian dollar	\$ 204.8	\$ 0.80	12	\$ 4.1
Thai baht	79.0	0.03	12	2.2
Malaysian ringgit	48.4	0.23	12	2.6
Mexican peso	29.3	0.05	12	(0.9 )
British pound	56.4	1.34	3	(0.5 )
Chinese renminbi	71.6	0.15	12	1.5
Euro	28.7	1.19	12	0.1
Romanian leu	28.4	0.25	12	0.6
Singapore dollar	25.0	0.73	12	0.6
Other	4.5			—
Total	\$ 576.1			\$ 10.3

These contracts, which generally extend for periods of up to 12 months, will expire by the end of the fourth quarter of 2018. The fair value of the outstanding contracts at December 31, 2017 was a net unrealized gain of \$10.3 million (December 31, 2016 — net unrealized loss of \$9.6 million). The unrealized gains or losses are a result of fluctuations in foreign exchange rates between the date the currency forward or swap contracts were entered into and the valuation date at period end.



## Financial risks:

We are exposed to a variety of risks associated with financial instruments and otherwise.

**Currency risk:** Due to the global nature of our operations, we are exposed to exchange rate fluctuations on our financial instruments denominated in various currencies. The majority of our currency risk is driven by operational costs, including income tax expense, incurred in local currencies by our subsidiaries. As part of our risk management program, we attempt to mitigate currency risk through a hedging program using forecasts of our anticipated future cash flows and balance sheet exposures denominated in foreign currencies. We enter into foreign exchange forward contracts and swaps, generally for periods up to 12 months, 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. 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. While our hedging program is 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. We do not use derivative financial instruments for speculative purposes.

We cannot predict changes in currency exchange rates, the impact of exchange rate changes on our operating results, nor the degree to which we will be able to manage the impact of currency exchange rate changes. Such changes, including as a result of Brexit or other global events impacting currency exchange rates could materially adversely affect our business, results of operations and financial condition.

**Interest rate risk:** Borrowings under our credit facility bear interest at specified rates, plus specified margins (as described above). Our borrowings under this facility expose us to interest rate risk due to potential increases to the specified rates and margins. A one-percentage point increase in these rates would increase interest expense, based on outstanding borrowings of \$187.5 million at December 31, 2017, by approximately \$2 million annually.

**Credit risk:** Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss to us. We believe our credit risk of counterparty non-performance is relatively low, however, if a key supplier (or any company within such supplier's supply chain) or customer experiences financial difficulties or fails to comply with their contractual obligations, this could result in a financial loss to us. In connection therewith, see “Summary of 2017” and “Summary of 2016” above for a description of the write-downs recorded in each of 2017 and 2016 related to our exit from the solar panel manufacturing business. With respect to our financial market activities, we have adopted a policy of dealing only with credit-worthy counterparties to help mitigate the risk of financial loss from defaults. We monitor the credit risk of the counterparties with whom we conduct business, through a combined process of credit rating reviews and portfolio reviews. To attempt to mitigate the risk of financial loss from defaults under our foreign currency forward contracts and swaps, our contracts are held by counterparty financial institutions, each of which had at December 31, 2017 a Standard and Poor’s rating of A-2 or above. In addition, we maintain cash and short-term investments in highly-rated investments or on deposit with major financial institutions. Each financial institution with which we have our A/R sales program and the supplier financing program had a Standard and Poor’s short-term rating of A-2 or above and a long-term rating of A- or above at December 31, 2017. Each financial institution from which annuities have been purchased for the defined benefit component of our Canadian pension plan had an A.M. Best or Standard and Poor’s long-term rating of A- or above at December 31, 2017. In addition, the financial institutions from which annuities have been purchased for the defined benefit component of our U.K. pension plans are governed by local regulatory bodies.

We also provide unsecured credit to our customers in the normal course of business. From time to time, we extend the payment terms applicable to certain customers, and/or provide longer payment terms to new customers or with respect to new programs. If this becomes more prevalent, it could adversely impact our working capital requirements, and increase our financial exposure and credit risk. We attempt to mitigate customer credit risk by monitoring our customers' financial condition and performing ongoing credit evaluations as appropriate. In certain instances, we may obtain letters of credit or other forms of security from our customers. We may also purchase credit insurance from a financial institution to reduce our credit exposure to certain customers. We consider credit risk in determining our allowance for doubtful accounts and we believe our allowances, as adjusted from time to time, are adequate.

**Liquidity risk:** Liquidity risk is the risk that we may not have cash available to satisfy our financial obligations as they come due. The majority of our financial liabilities recorded in accounts payable, accrued and other current liabilities and provisions are due within 90 days. We believe that cash flow from operating activities, together with cash on hand, cash from the sale of A/R, and borrowings available under our Revolving Facility and intraday and overnight bank overdraft facilities are sufficient to fund our currently anticipated financial obligations.

See note 21 to our 2017 audited consolidated financial statements for further details.

#### Related Party Transactions

Onex Corporation (Onex) beneficially owns or controls, directly or indirectly, all of our outstanding multiple voting shares. 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 the subordinate voting shares and multiple voting shares vote together as a single class. Mr. Gerald Schwartz, the Chairman of the Board, President and Chief Executive Officer of Onex, and one of our directors until December 31, 2016, indirectly owns shares representing the majority of the voting rights of Onex.

In January 2009, we entered into a Services Agreement with Onex for the services of Mr. Schwartz as a director of Celestica, pursuant to which Onex received compensation for such services. The initial term of this agreement was one year and it automatically renews for successive one-year terms unless either party provides a notice of intent not to renew. In connection with the retirement of Mr. Schwartz from our Board of Directors as of December 31, 2016, and the appointment of Mr. Tawfiq Popatia (also an officer of Onex) as his replacement effective January 1, 2017, the Services Agreement was amended as of such date to replace all references to Mr. Schwartz therein with references to Mr. Popatia, and to increase the annual fee payable to Onex thereunder from \$200,000 per year to \$235,000 per year (to be consistent with current annual Board retainer fees), payable in DSUs in equal quarterly installments in arrears. The Services Agreement terminates automatically and the rights of Onex to receive compensation (other than accrued and unpaid compensation) will terminate (a) 30 days after the first day on which Onex ceases to hold at least one multiple voting share of Celestica or any successor company or (b) the date Mr. Popatia ceases to be a director of Celestica for any reason.

Also see discussion in “Cash requirements” above for a description of the Property Sale Agreement (and lease arrangements) with respect to our real property located in Toronto, Ontario (which includes our corporate headquarters and our Toronto manufacturing operations). Approximately 30% of the interests in the Property Purchaser are to be held by a privately-held company in which Mr. Schwartz 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.

#### Outstanding Share Data

As of February 14, 2018, we had 124,246,948 outstanding subordinate voting shares and 18,600,193 outstanding multiple voting shares. As of such date, we also had 372,458 outstanding stock options, 3,716,960 outstanding RSUs, 3,300,645 outstanding PSUs (assuming vesting of 100% of the target amount granted (amounts that will vest range from 0% to 200% of the target amount granted)), and 1,455,550 outstanding DSUs; each vested option or unit entitles the holder thereof to receive one subordinate voting share (or in certain cases, cash) pursuant to the terms thereof (subject to certain time or performance-based vesting conditions).

#### Controls and Procedures

Evaluation of disclosure controls and procedures:

Our management is responsible for establishing and maintaining a system of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the U.S. Exchange Act) designed to ensure that information we are

required to disclose in the reports that we file or submit under the U.S. Exchange Act is recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the U.S. Exchange Act is accumulated and communicated to the issuer's management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision of and with the participation of management, including our principal executive officer and principal financial officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2017. Based on that evaluation, our principal executive officer and principal financial officer have concluded that, as of December 31, 2017, our disclosure controls and procedures are effective to meet the requirements of Rules 13a-15(e) and 15d-15(e) under the U.S. Exchange Act.

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

#### Changes in internal control over financial reporting:

We did not identify any change in our internal control over financial reporting in connection with our evaluation thereof that occurred during the year ended December 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Although we implemented certain changes to our business processes, systems and controls in preparation for the adoption of new accounting standards IFRS 15 (Revenue from Contracts with Customers) and IFRS 9 (Financial Instruments), no significant changes were made to our internal control over financial reporting due to the adoption of these standards.

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

Reference is made to our Management's Report on page F-1 of our Annual Report on Form 20-F for the year ended December 31, 2017. Our auditors, KPMG LLP, an independent registered public accounting firm, have issued an audit report on our internal control over financial reporting as of December 31, 2017. This report appears on page F-2 of such Annual Report.

#### Unaudited Quarterly Financial Highlights (in millions, except percentages and per share amounts):

	2016				2017			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue	\$1,353.3	\$1,485.5	\$1,554.0	\$1,623.7	\$1,469.9	\$1,558.5	\$1,528.2	\$1,553.9
Gross profit %	6.9	% 7.5	% 7.1	% 6.9	% 7.0	% 7.0	% 6.8	% 6.6
Net earnings	\$25.6	\$36.2	\$53.6	\$20.9	\$22.8	\$34.4	\$33.4	\$14.4
Weighted average # of basic shares	143.5	142.1	140.8	140.9	142.1	143.4	143.7	143.3
Weighted average # of diluted shares	145.2	144.1	143.0	143.4	144.0	145.5	145.7	145.5
# of shares outstanding	143.3	140.7	140.8	140.9	143.2	143.6	143.7	141.8
IFRS earnings per share:								
basic	\$0.18	\$0.25	\$0.38	\$0.15	\$0.16	\$0.24	\$0.23	\$0.10
diluted	\$0.18	\$0.25	\$0.37	\$0.15	\$0.16	\$0.24	\$0.23	\$0.10

#### Comparability quarter-to-quarter:

The quarterly data reflects the following: the fourth quarters of 2016 and 2017 include the results of our annual impairment testing of goodwill, intangible assets and property, plant and equipment; and all quarters have been impacted by our restructuring actions. The amounts attributable to these items vary from quarter-to-quarter.



Fourth quarter 2017 compared to fourth quarter 2016:

Revenue of \$1.55 billion for the fourth quarter of 2017 decreased 4% compared to the same period in 2016. Compared to the fourth quarter of 2016, revenue dollars in the fourth quarter of 2017 from our Communications end market decreased 12%, primarily due to weaker demand (offset in part by new programs) relative to the fourth quarter of 2016, which had benefited from new programs and demand strength. Revenue dollars from our Enterprise end market decreased 4% in the fourth quarter of 2017 compared to the prior year period, primarily due to demand softness. These decreases were offset in part by a 6% revenue increase from our ATS end market in the fourth quarter of 2017 compared to the prior year period, primarily due to new programs, as well as stronger demand in our semiconductor business, which more than offset the decline in revenue due to our exit from the solar panel manufacturing business (which negatively impacted ATS end market revenue by 4%). Gross margin for the fourth quarter of 2017 decreased to 6.6% of total revenue compared to 6.9% of total revenue for the same period in 2016, primarily due to lower revenue (primarily in our Communications end market), unfavorable changes in program mix, \$3 million of additional ramping costs with respect to certain new programs (described in “Operating Results” above), offset in part by margin improvements in our ATS end market, including from our semiconductor business. Net earnings for the fourth quarter of 2017 of \$14.4 million were \$6.5 million lower compared to the same period in the prior year, primarily due to the decrease in gross profit described above and \$8.3 million in refund interest income that benefited the fourth quarter of 2016, offset in part by lower other charges (\$17.5 million in the fourth quarter of 2017 as compared to \$25.8 million in the prior year period), primarily due to an \$11.2 million reduction in restructuring charges in the fourth quarter of 2017 as compared to the prior year period. Restructuring charges for the fourth quarter of 2016 were negatively impacted by charges related to our exit from the solar panel manufacturing business.

Fourth quarter 2017 compared to third quarter 2017:

Revenue for the fourth quarter of 2017 increased 2% compared to the third quarter of 2017. Compared to the previous quarter, revenue dollars from our Enterprise end market increased 15%, primarily due to demand strength, and revenue dollars from our ATS end market increased 6%, primarily due to our new “operate-in-place” program that commenced in the third quarter of 2017 in our aerospace and defense business. These increases were offset in part by an 8% sequential revenue decline in our Communications end market, primarily due to lower demand, including late changes in the quarter from certain customers. Gross margin for the fourth quarter of 2017 decreased to 6.6% of total revenue compared to 6.8% of total revenue for the third quarter of 2017. Although revenue was higher in the fourth quarter of 2017, gross margin was negatively impacted by changes in program mix and the late changes in demand, the timing of which prevented us from reducing certain variable production costs in light of lower volumes. Net earnings for the fourth quarter of 2017 of \$14.4 million were \$19.0 million lower compared to the previous quarter, primarily due to \$13.6 million in higher other charges, including higher restructuring charges of \$9.1 million and \$1.6 million of Toronto transition costs, and \$3.1 million in higher SG&A expense in the fourth quarter of 2017 as compared to the prior quarter.

Fourth quarter 2017 actual compared to guidance:

IFRS earnings per share (EPS) for the fourth quarter of 2017 of \$0.10 on a diluted basis reflected an aggregate charge of \$0.15 (pre-tax) per share for employee stock-based compensation expense, amortization of intangible assets (excluding computer software) and restructuring charges. We provided a range on October 26, 2017 of an aggregate charge of between \$0.09 to \$0.15 per share for these items. We cannot predict changes in currency exchange rates, the impact of such changes on our operating results, or the degree to which we will be able to manage such impacts. IFRS earnings before income taxes as a percentage of revenue for the fourth quarter of 2017 was 1.4%.

On October 26, 2017, we provided the following guidance for the fourth quarter of 2017:

Q4 2017

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	Guidance	Actual
IFRS revenue (in billions)	\$1.5 to \$1.6	\$1.55
Non-IFRS operating margin	3.6% at the mid-point of expectations	3.3%
Non-IFRS adjusted earnings per share (diluted)	\$0.27 to \$0.33	\$0.27

For the fourth quarter of 2017, revenue of \$1.55 billion was at the mid-point of our guidance range, reflecting demand strength from our Enterprise end market, offset by demand softness from our Communications end market. Our non-IFRS operating margin of 3.3% for the fourth quarter of 2017 was negatively impacted by late demand changes from certain customers, the timing of which prevented us from reducing certain variable production costs in light of the lower volumes. This also negatively impacted our non-IFRS adjusted EPS of \$0.27 per share for the fourth quarter of 2017.

Our guidance includes a range for adjusted EPS (which is a non-IFRS measure and is defined below). Management considers non-IFRS adjusted EPS to be an important measure for investors to understand our core operating performance. A reconciliation of non-IFRS adjusted net earnings to IFRS net earnings is set forth below.

#### Non-IFRS measures:

Management uses adjusted net earnings and the other non-IFRS measures described herein (i) to assess operating performance and the effective use and allocation of resources, (ii) to provide more meaningful period-to-period comparisons of operating results, (iii) to enhance investors' understanding of the core operating results of our business, and (iv) to set management incentive targets. We believe the non-IFRS measures we present herein are useful to investors, as they enable investors to evaluate and compare our results from operations in a more consistent manner (by excluding specific items that we do not consider to be reflective of our ongoing operating results), to evaluate cash resources that we generate each period, and to provide an analysis of operating results using the same measures our chief operating decision makers use to measure performance. In addition, management believes that the use of a non-IFRS adjusted tax expense and a non-IFRS adjusted effective tax rate provides improved insight into the tax effects of our ongoing business operations, and is useful to management and investors for historical comparisons and forecasting. These non-IFRS financial measures result largely from management's determination that the facts and circumstances surrounding the excluded charges or recoveries are not indicative of the ordinary course of the ongoing operation of our business.

We believe investors use both IFRS and non-IFRS measures to assess management's past, current and future decisions associated with our priorities and our allocation of capital, as well as to analyze how our business operates in, or responds to, swings in economic cycles or to other events that impact our core operations.

In addition to cash cycle days (including the components thereof) and inventory turns (each described under the caption "Other Performance Indicators" above), which have no defined meanings under IFRS, we use the following non-IFRS measures: adjusted gross profit, adjusted gross margin (adjusted gross profit as a percentage of revenue), adjusted SG&A, adjusted SG&A as a percentage of revenue, operating earnings (adjusted EBIAT), operating margin (operating earnings as a percentage of revenue), adjusted net earnings, adjusted EPS, adjusted ROIC, free cash flow, adjusted tax expense and adjusted effective tax rate. Adjusted EBIAT, adjusted ROIC, free cash flow, adjusted tax expense and adjusted effective tax rate are further described in the tables below. In calculating these non-IFRS financial measures, management excludes the following items, where applicable: employee stock-based compensation expense, amortization of intangible assets (excluding computer software), restructuring and other charges, net of recoveries (including Toronto transition costs (recoveries), described below), other solar charges (described below), and the write-down of goodwill, intangible assets, and property, plant and equipment, all net of the associated tax adjustments (which are set forth in the table below), and deferred tax write-offs/costs or recoveries associated with restructuring actions or restructured sites.

Non-IFRS measures do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Non-IFRS measures are not measures of performance under IFRS and should not be considered in isolation or as a substitute for any standardized measure under IFRS. The most significant limitation to management's use of non-IFRS financial measures is that the charges or credits excluded from the

non-IFRS measures are nonetheless charges or credits that are recognized under IFRS and that have an economic impact on us. Management compensates for these limitations primarily by issuing IFRS results to show a complete picture of our performance, and reconciling non-IFRS results back to IFRS results.

The economic substance of these exclusions and management's rationale for excluding them from non-IFRS financial measures is provided below:

Employee stock-based compensation expense, which represents the estimated fair value of stock options, RSUs and PSUs granted to employees, is excluded because grant activities vary significantly from quarter-to-quarter in both quantity and fair value. In addition, excluding this expense allows us to better compare core operating results with those of our competitors who also

generally exclude employee stock-based compensation expense in assessing their operating performance, who may have different granting patterns and types of equity awards, and who may use different valuation assumptions than we do.

Amortization charges (excluding computer software) consist of non-cash charges against intangible assets that are impacted by the timing and magnitude of acquired businesses. Amortization of intangible assets varies among our competitors, and we believe that excluding these charges permits a better comparison of core operating results with those of our competitors who also generally exclude amortization charges in assessing operating performance.

Restructuring and other charges, net of recoveries, include costs relating to employee severance, lease terminations, site closings and consolidations, write-downs of owned property and equipment which are no longer used and are available for sale, reductions in infrastructure, Toronto transition costs (recoveries) (discussed below), acquisition-related consulting, transaction and integration costs, and legal settlements (recoveries). We exclude restructuring and other charges, net of recoveries, because we believe that they are not directly related to ongoing operating results and do not reflect expected future operating expenses after completion of these activities. We believe these exclusions permit a better comparison of our core operating results with those of our competitors who also generally exclude these charges, net of recoveries, in assessing operating performance.

Restructuring and other charges, net of recoveries, also includes Toronto transition costs (recoveries), which are costs (recoveries) recorded in connection with the sale of our Toronto real property, the relocation of our existing Toronto manufacturing operations, the move of our corporate headquarters to a temporary location while space in a new office building for such headquarters at our current location (to be built by, and which we intend to lease from, the purchasers of our Toronto real property) is under construction, as well as the move to such new office space upon its completion. Toronto transition costs consist of direct relocation costs, duplicate costs (such as rent expense, utility costs, depreciation charges, and personnel costs) incurred during the transition period, as well as cease-use costs incurred in connection with idle or vacated portions of the relevant premises that we would not have incurred but for these relocations. Toronto transition recoveries will consist of amounts received from the purchasers of the Toronto real property or gains we record in connection with its sale, if consummated. We believe that excluding these costs and recoveries permits a better comparison of our core operating results from period-to-period, as these costs will not reflect our ongoing operations once these relocations are complete.

Other solar charges, consisting of non-cash charges to further write-down the carrying value of our then-remaining solar panel inventory and the write-down of solar accounts receivable (A/R) (primarily as a result of a solar customer's bankruptcy) to estimated recoverable amounts, were recorded in the second quarter of 2017 through cost of sales and SG&A expenses, respectively. Both of these impairment charges, which were identified during the wind down phase of our solar operations after our decision to exit the solar panel manufacturing business, are excluded as they pertain to a business we have exited, and we therefore believe they are no longer directly related to our ongoing core operating results. Although we recorded significant impairment charges to write down our solar panel inventory in the third quarter of 2016, those charges were not excluded in the determination of our non-IFRS financial measures for such period, as we were then still engaged in the solar panel manufacturing business. In connection with this wind-down, we also recorded net non-cash impairment charges to write down the carrying value of our solar panel manufacturing equipment held for sale to its estimated sales value less costs to sell, which we recorded through other charges during 2017.

Impairment charges, which consist of non-cash charges against goodwill, intangible assets and property, plant and equipment, result primarily when the carrying value of these assets exceeds their recoverable amount. Our competitors may record impairment charges at different times, and we believe that excluding these charges permits a better comparison of our core operating results with those of our competitors who also generally exclude these charges in assessing operating performance.

Deferred tax write-offs/costs or recoveries associated with restructuring actions or restructured sites are excluded, as we believe that these write-offs/costs or recoveries do not reflect core operating performance and vary significantly among those of our competitors who also generally exclude these charges or recoveries in assessing operating performance.

The following table sets forth, for the periods indicated, the various non-IFRS measures discussed above, and a reconciliation of IFRS to non-IFRS measures, (in millions, except percentages and per share amounts):

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	Three months ended December 31				Year ended December 31			
	2016	% of revenue	2017	% of revenue	2016	% of revenue	2017	% of revenue
IFRS revenue	\$1,623.7		\$1,553.9		\$6,016.5		\$6,110.5	
IFRS gross profit	\$111.9	6.9%	\$102.4	6.6%	\$427.6	7.1%	\$417.8	6.8%
Employee stock-based compensation expense	4.6		3.2		15.0		14.6	
Other solar charges (inventory write-down)	—		—		—		0.9	
Non-IFRS adjusted gross profit	\$116.5	7.2%	\$105.6	6.8%	\$442.6	7.4%	\$433.3	7.1%
IFRS SG&A	\$53.2	3.3%	\$51.1	3.3%	\$211.1	3.5%	\$203.2	3.3%
Employee stock-based compensation expense	(5.8 )		(4.2 )		(18.0 )		(15.5 )	
Other solar charges (A/R write-down)	—		—		—		(0.5 )	
Non-IFRS adjusted SG&A	\$47.4	2.9%	\$46.9	3.0%	\$193.1	3.2%	\$187.2	3.1%
IFRS earnings before income taxes	\$29.3	1.8%	\$22.1	1.4%	\$161.0	2.7%	\$132.4	2.2%
Finance costs	2.7		2.6		10.0		10.1	
Refund interest income	(8.3 )		—		(14.3 )		—	
Employee stock-based compensation expense	10.4		7.4		33.0		30.1	
Amortization of intangible assets (excluding computer software)	1.5		1.1		6.0		5.5	
Net restructuring, impairment and other charges	25.8		17.5		25.5		37.0	
Other solar charges (inventory and A/R write-down)	—		—		—		1.4	
Non-IFRS operating earnings (adjusted EBIAT) <sup>(1)</sup>	\$61.4	3.8%	\$50.7	3.3%	\$221.2	3.7%	\$216.5	3.5%
IFRS net earnings	\$20.9	1.3%	\$14.4	0.9%	\$136.3	2.3%	\$105.0	1.7%
Employee stock-based compensation expense	10.4		7.4		33.0		30.1	
Amortization of intangible assets (excluding computer software)	1.5		1.1		6.0		5.5	
Net restructuring, impairment and other charges	25.8		17.5		25.5		37.0	
Other solar charges (inventory and A/R write-down)	—		—		—		1.4	
Adjustments for taxes <sup>(2)</sup>	0.9		(0.7 )		0.1		(6.7 )	
Non-IFRS adjusted net earnings	\$59.5		\$39.7		\$200.9		\$172.3	

Diluted EPS

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Weighted average # of shares (in millions)	143.4	145.5	143.9	145.2
IFRS earnings per share	\$0.15	\$0.10	\$0.95	\$0.72
Non-IFRS adjusted earnings per share	\$0.41	\$0.27	\$1.40	\$1.19
# of shares outstanding at period end (in millions)	140.9	141.8	140.9	141.8
IFRS cash provided by operations	\$87.5	\$43.7	\$173.3	\$127.0
Purchase of property, plant and equipment, net of sales proceeds	(17.8 )	(20.6 )	(63.1 )	(101.8 )
Finance lease payments	(1.0 )	(1.7 )	(4.5 )	(6.5 )
Repayments from former solar supplier	3.0	—	14.0	12.5
Finance costs paid	(2.4 )	(2.6 )	(9.5 )	(10.2 )
Non-IFRS free cash flow <sup>(3)</sup>	\$69.3	\$18.8	\$110.2	\$21.0
IFRS ROIC % <sup>(4)</sup>	10.8 %	7.4 %	15.2 %	11.7 %
Non-IFRS Adjusted ROIC % <sup>(4)</sup>	22.7 %	17.0 %	20.8 %	19.1 %

(1) Management uses non-IFRS operating earnings (adjusted EBIAT) as a measure to assess our operational performance related to our core operations. Non-IFRS adjusted EBIAT is defined as earnings before finance costs (consisting of interest and fees related to our credit facility, our accounts receivable sales program, and a customer's supplier financing program), amortization of intangible assets (excluding computer software) and income taxes. Non-IFRS adjusted EBIAT also excludes, in periods where such charges have been recorded, employee stock-based compensation expense, restructuring and other charges, including acquisition-related consulting, transaction and integration costs (net of recoveries) and Toronto transition costs (recoveries), impairment charges, other solar charges, and refund interest income with respect to amounts previously held on account with Canadian tax authorities. During the fourth quarter of 2017, we recorded \$1.6 million of Toronto transition costs. We expect these costs to continue into 2019. The Toronto transition costs are reported as other charges.

(2) The adjustments for taxes, as applicable, represent the tax effects on our non-IFRS adjustments and tax write-offs/costs or recoveries related to restructured sites (described below).

The following table sets forth a reconciliation of our IFRS tax expense and IFRS effective tax rate to our non-IFRS adjusted tax expense and our non-IFRS adjusted effective tax rate for the periods indicated, in each case determined by excluding the tax benefits or costs associated with the listed items (in millions, except percentages) from our IFRS tax expense for such periods:

	Three months ended December 31		Year ended December 31	
	2016	Effective tax rate	2017	Effective tax rate
IFRS tax expense/IFRS effective tax rate	\$8.4	29%	\$7.7	35%
Tax costs (benefits) of the following items excluded from IFRS tax expense:				
Employee stock-based compensation	(0.5 )		0.9	
Amortization of intangible assets				
(excluding computer software)	—		—	
Net restructuring, impairment and other charges	0.1		(0.2 )	
Other solar charges (inventory and A/R write-down)	—		—	
Other charges related to restructured sites	(0.5 )		—	
Non-IFRS adjusted tax expense/Non-IFRS adjusted effective tax rate	\$7.5	11%	\$8.4	17%
	\$24.7	15%	\$27.4	21%

(3) Management uses non-IFRS free cash flow as a measure, in addition to IFRS cash flow provided by (used in) operations, to assess our operational cash flow performance. We believe non-IFRS free cash flow provides another level of transparency to our liquidity. Non-IFRS free cash flow is defined as cash provided by (used in) operations after the purchase of property, plant and equipment (net of proceeds from the sale of certain surplus equipment and property), finance lease payments, repayments from a former solar supplier, and finance costs paid. As a measure of liquidity, in periods when it is relevant (the third quarter of 2015), non-IFRS free cash flow also included deposits received on the anticipated sale of real property (see note 18 to our 2017 audited consolidated financial statements).

Similarly, it is our intention to include any amounts received from the purchasers of our Toronto real property (should the sale be consummated) in non-IFRS free cash flow in the period of receipt. Note that non-IFRS free cash flow, however, does not represent residual cash flow available to Celestica for discretionary expenditures.

(4) Management uses non-IFRS adjusted ROIC as a measure to assess the effectiveness of the invested capital we use to build products or provide services to our customers, by quantifying how well we generate earnings relative to the capital we have invested in our business. Our non-IFRS adjusted ROIC measure reflects non-IFRS operating earnings, working capital management and asset utilization. Non-IFRS adjusted ROIC is calculated by dividing non-IFRS adjusted EBIAT by average net invested capital. Net invested capital (calculated in the table below) consists of the following IFRS measures: total assets less cash, accounts payable, accrued and other current liabilities and provisions, and income taxes payable. We use a two-point average to calculate average net invested capital for the quarter and a five-point average to calculate average net invested capital for the year. A comparable measure under IFRS would be determined by dividing IFRS earnings before income taxes by net invested capital (which we have set forth in the charts above and below), however, this measure (which we have called IFRS ROIC), is not a measure defined under IFRS.

The following table sets forth, for the periods indicated, our calculation of IFRS ROIC % and non-IFRS adjusted ROIC % (in millions, except IFRS ROIC % and non-IFRS adjusted ROIC %):

	Three months ended December 31		Year ended December 31		
	2016	2017	2016	2017	
IFRS earnings before income taxes	\$29.3	\$22.1	\$161.0	\$132.4	
Multiplier	4	4	1	1	
Annualized IFRS earnings before income taxes	\$117.2	\$88.4	\$161.0	\$132.4	
Average net invested capital for the period	\$1,083.8	\$1,196.3	\$1,062.3	\$1,133.1	
IFRS ROIC % <sup>(1)</sup>	10.8	% 7.4	% 15.2	% 11.7	%
	Three months ended December 31		Year ended December 31		
	2016	2017	2016	2017	
Non-IFRS operating earnings (adjusted EBIAT)	\$61.4	\$50.7	\$221.2	\$216.5	
Multiplier	4	4	1	1	
Annualized non-IFRS adjusted EBIAT	\$245.6	\$202.8	\$221.2	\$216.5	
Average net invested capital for the period	\$1,083.8	\$1,196.3	\$1,062.3	\$1,133.1	
Non-IFRS adjusted ROIC % <sup>(1)</sup>	22.7	% 17.0	% 20.8	% 19.1	%
	December 31 2016	March 31 2017	June 30 2017	September 30 2017	December 31 2017
Net invested capital consists of:					
Total assets	\$ 2,822.3	\$2,814.6	\$2,857.7	\$2,871.7	\$ 2,944.7
Less: cash	557.2	558.0	582.7	527.0	515.2
Less: accounts payable, accrued and other current liabilities, provisions and income taxes payable	1,189.7	1,165.5	1,168.4	1,152.7	1,228.9
Net invested capital at period end <sup>(1)</sup>	\$ 1,075.4	\$1,091.1	\$1,106.6	\$1,192.0	\$ 1,200.6
	December 31 2015	March 31 2016	June 30 2016	September 30 2016	December 31 2016
Net invested capital consists of:					
Total assets	\$ 2,612.0	\$2,621.9	\$2,720.1	\$2,813.7	\$ 2,822.3
Less: cash	545.3	511.5	472.9	542.0	557.2
Less: accounts payable, accrued and other current liabilities, provisions and income taxes payable	1,104.3	1,053.8	1,122.5	1,179.4	1,189.7
Net invested capital at period end <sup>(1)</sup>	\$ 962.4	\$1,056.6	\$1,124.7	\$1,092.3	\$ 1,075.4

(1) See footnote 4 of the previous table.

Recently issued accounting pronouncements:

**IFRS 15, Revenue from Contracts with Customers:**

In May 2014, the IASB issued this standard, which provides a single, principles-based five-step model for revenue recognition to be applied to all customer contracts, and requires enhanced disclosures. The new standard is effective for annual periods beginning on or after January 1, 2018, and allows for early adoption. We adopted this standard on January 1, 2018, and have elected to use the retrospective approach, pursuant to which we will restate each relevant comparative reporting periods presented and recognize the transitional adjustments through equity at the start of the first comparative reporting period to be presented in our quarterly and annual consolidated financial statements (which will be January 1, 2016 for our annual financial statements). The new standard will change the timing of our revenue recognition for a significant portion of our business, resulting in the recognition of revenue for certain customer contracts earlier than under the previous recognition rules (which was generally upon delivery). The new standard will materially impact our consolidated financial statements, primarily in relation to inventory and accounts receivable balances.

We currently estimate the following impacts under the new standard (in millions):

	January 1 2016	December 31 2016	Year ended December 31, 2016
	Increase (decrease)		
Accounts receivable/Contract asset	\$ 197	\$ 227	\$ —
Inventories	(178 )	(206 )	—
Deferred taxes	(2 )	(2 )	—
Deficit	(17 )	(19 )	—
Revenue	—	—	30
Cost of sales	—	—	28
Net earnings	—	—	2

We are currently analyzing and will disclose the anticipated extent of the financial impact of the new standard on the specific line items above as of December 31, 2017 and for the year ended December 31, 2017 when our analysis is completed. We have made the necessary changes to our business processes, systems and controls to support the recognition and disclosures required for the new standard.

**IFRS 9, Financial Instruments:**

In July 2014, the IASB issued a final version of this standard, which replaces IAS 39, Financial Instruments: Recognition and Measurement, and is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The standard introduces a new model for the classification and measurement of financial assets, a single expected credit loss model for the measurement of the impairment of financial assets, and a new model for hedge accounting that is aligned with a company's risk management activities. We adopted this standard effective January 1, 2018. The adoption of this standard will not have a material impact on our consolidated financial statements.

**IFRS 16, Leases:**

In January 2016, the IASB issued this standard, which brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. IFRS 16 supersedes IAS 17, Leases, and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted. We do not intend to adopt this standard early. We have established a project team to evaluate the anticipated impact of this standard on our consolidated financial statements, as well as any changes to our business processes, systems and controls that may be required to support the recognition and disclosures required by the new standard. Transition efforts are currently underway, and are anticipated to be complete by January 1, 2019.



Research and development, patents and licenses, etc.

The information required by this item is set forth above in Item 3(A) "Key Information — Selected Financial Data" in footnote 2, and in Item 4(B) "Information on the Company — Business Overview — Research and Technology Development."

#### Trend Information

The information required by this item is set forth above in "Overview," "Operating Results," and "Liquidity and Capital Resources," in Item 3(D) "Key Information — Risk Factors," and in Item 4(B) "Information on the Company — Business Overview."

#### Off-Balance Sheet Arrangements

Not applicable.

### Item 6. Directors, Senior Management and Employees

#### A. Directors and Senior Management

Each director of Celestica is elected by the shareholders to serve until the close of the next annual meeting of shareholders or until a successor is elected or appointed, unless such office is earlier vacated in accordance with the Corporation's by-laws. The following table sets forth certain information regarding the current directors and executive officers of Celestica as of February 14, 2018.\*

\* Mr. Deepak Chopra (age 54), a resident of Ontario, Canada, is currently a nominee for director, and is standing for election at the Corporation's 2018 Annual Meeting of Shareholders (the "Meeting").

Name	Age	Director Since	Position with Celestica	Residence
William A. Etherington <sup>(1)</sup>	76	2001	Chair of the Board	Ontario, Canada
Daniel P. DiMaggio	67	2010	Director	Georgia, U.S.
Laurette T. Koellner	63	2009	Director	Florida, U.S.
Carol S. Perry	67	2013	Director	Ontario, Canada
Tawfiq Popatia <sup>(2)</sup>	43	2017	Director	Ontario, Canada
Eamon J. Ryan	72	2008	Director	Ontario, Canada
Michael M. Wilson	66	2011	Director	Alberta, Canada
Robert A. Mionis	54	2015	Director, President and Chief Executive Officer	Arizona, U.S.
Name	Age	Executive Officer Since	Position with Celestica	Residence
Mandeep Chawla <sup>(3)</sup>	41	2017	Chief Financial Officer	Ontario, Canada
Todd C. Cooper <sup>(4)</sup>	48	2018	Chief Operations Officer	Connecticut, U.S.
Elizabeth L. DelBianco	58	1998	Chief Legal and Administrative Officer and Corporate Secretary	Ontario, Canada
John ("Jack") J. Lawless	57	2015	President, Advanced Technology Solutions (ATS)	Georgia, U.S.
Michael P. McCaughey	55	2007	President, Connectivity and Cloud Solutions (CCS)	Québec, Canada
Nicolas Pujet	45	2016	Chief Strategy Officer	Colorado, U.S.

- (1) Chair of the Board since April 2012
- (2) Director since January 1, 2017
- (3) Interim Chief Financial Officer effective May 23, 2017; appointed Chief Financial Officer effective October 19, 2017
- (4) Executive Officer since January 4, 2018

The following is a brief biography of each of Celestica's directors, director nominees and executive officers:

**William A. Etherington.** Mr. Etherington is a corporate director. In addition to being the Chair of the Board of Celestica, he is also a director of Onex\* (a public company). He is a former director and non-executive Chairman of the board of directors of the Canadian Imperial Bank of Commerce (a public company), and a former director of St. Michael's Hospital. In 2001, Mr. Etherington retired as Senior Vice President and Group Executive, Sales and Distribution, IBM Corporation (a public company), and as Chairman, President and Chief Executive Officer of IBM World Trade Corporation. He holds a Bachelor of Science degree in Electrical Engineering and a Doctor of Laws (Hon.) from Western University.

\* Onex holds an approximate 79% voting interest in Celestica. See "Controlling Shareholder Interest" under Item 4(B) above.

**Deepak Chopra (nominee).** Mr. Chopra most recently served as President and Chief Executive Officer of Canada Post Corporation from February 2011 to March 2018. He has more than 30 years of global experience in the financial services, technology, logistics and supply-chain industries. Mr. Chopra worked for Pitney Bowes Inc., a NYSE-traded technology company known for postage meters, mail automation and location intelligence services, for more than 20 years. He served as President of Pitney Bowes Canada and Latin America from 2006 to 2010. He held a number of increasingly senior executive roles internationally, including President of its new Asia Pacific and Middle East region from 2001 to 2006 and Chief Financial Officer for the Europe, Africa and Middle East (EAME) region from 1998 to 2001. He has previously served on the boards of Canada Post Corporation, Purolator Inc., SCI Group, the Canada Post Community Foundation and the Toronto Region Board of Trade. He currently sits on the board of the Conference Board of Canada. Mr. Chopra is a Fellow of the Institute of Chartered Professional Accountants of Canada and has a Bachelor's degree in Commerce (Honours) and a Master's Degree in Business Management (PGDBM).

**Daniel P. DiMaggio.** Mr. DiMaggio is a corporate director. Prior to retiring in 2006, he spent 35 years with United Parcel Services ("UPS") (a public company), most recently as Chief Executive Officer of the UPS Worldwide Logistics Group. Prior to leading UPS' Worldwide Logistics Group, Mr. DiMaggio held a number of positions at UPS with increasing responsibility, including leadership roles for the UPS International Marketing Group, as well as the Industrial Engineering function. In addition to his senior leadership roles at UPS, Mr. DiMaggio was a member of the board of directors of Greatwide Logistics Services, Inc.\* and CEVA Logistics (a public company). He holds a Bachelor of Science degree from the Lowell Technological Institute (now the University of Massachusetts Lowell).

\* Mr. DiMaggio was serving as a director of Greatwide Logistics Services, Inc., a privately held company, when that entity filed for bankruptcy in 2008.

**Laurette T. Koellner.** Ms. Koellner is a corporate director. She most recently served as Executive Chairman of International Lease Finance Corporation, an aircraft leasing subsidiary of American International Group, Inc. ("AIG") from 2012 until its sale in 2014. Ms. Koellner retired as President of Boeing International, a division of The Boeing Company, in 2008. While at Boeing, she was a member of the Office of the Chairman and served as the Executive Vice President, Internal Services, Chief Human Resources and Administrative Officer, President of Shared Services, and Corporate Controller. Ms. Koellner currently serves on the board of directors of Papa John's International, Inc., The Goodyear Tire & Rubber Company, and Nucor Corporation, all public companies. Ms. Koellner previously served on the board of directors and was the Chair of the Audit Committee of Hillshire Brands Company (a public company, formerly Sara Lee Corporation and now merged with Tyson Foods, Inc.), and on the board of directors of AIG (a public company). She holds a Bachelor of Science degree in Business Management from the University of Central Florida and a Masters of Business Administration from Stetson University, as well as a Certified Professional Contracts Manager designation from the National Contracts Management Association.



Carol S. Perry. Ms. Perry is a corporate director. She is Chair of the Independent Review Committee of the mutual funds managed by 1832 Asset Management L.P., a mutual fund manager and wholly-owned affiliate of The Bank of Nova Scotia. Previously, she was a Commissioner of the Ontario Securities Commission, and has served on adjudicative panels and acted as a director and Chair of its Governance and Nominating Committee. With over 20 years of experience in the investment industry as an investment banker, Ms. Perry held senior positions with leading financial services companies including RBC Capital Markets, Richardson Greenshields of Canada Limited and CIBC World Markets and later founded MaxxCap Corporate Finance Inc., a financial advisory firm. She is a former director of Softchoice Corporation, Atomic Energy of Canada Limited and DALSA Corporation. Ms. Perry has a Bachelor of Engineering Science (Electrical) degree from the University of Western Ontario and a Master of Business Administration degree from the University of Toronto. She also holds the professional designation ICD.D from the Institute of Corporate Directors.

Tawfiq Popatia. Mr. Popatia has been a Managing Director of Onex\* since 2014 and leads its efforts in automation, aerospace and other transportation-focused industries, having joined the firm in 2007. Prior to joining Onex, Mr. Popatia worked at the private equity firm of Hellman & Friedman LLC and in the Investment Banking Division of Morgan Stanley & Co. Mr. Popatia currently serves on the boards of Advanced Integration Technology, an aerospace automation company, and BBAM, a provider of commercial jet aircraft leasing, financing and management. He previously served on the board of Spirit Aerosystems (a public company), and is a former Employer Trustee of the International Association of Machinists National Pension Fund. Mr. Popatia holds a Bachelor of Science degree in Microbiology and a Bachelor of Commerce degree in Finance from the University of British Columbia.

\* Onex holds an approximate 79% voting interest in Celestica. See "Controlling Shareholder Interest" under Item 4(B) above.

Eamon J. Ryan. Mr. Ryan is a corporate director. He is the former Vice President and General Manager, Europe, Middle East and Africa for Lexmark International Inc. (a public company). Prior to that, he was the Vice President and General Manager, Printing Services and Solutions Manager, Europe, Middle East and Africa. Mr. Ryan joined Lexmark International Inc. in 1991 as the President of Lexmark Canada. Prior to that, he spent 22 years at IBM Canada, where he held a number of sales and marketing roles in its Office Products and Large Systems divisions. Mr. Ryan's last role at IBM Canada was Director of Operations for its Public Sector, a role he held from 1986 to 1990. He holds a Bachelor of Arts degree from the University of Western Ontario.

Michael M. Wilson. Mr. Wilson is a corporate director. Until his retirement in December 2013, he was the President and Chief Executive Officer, and a director, of Agrium Inc. (a public agricultural crop inputs company), and has over 30 years of international and executive management experience. Prior to joining Agrium Inc., Mr. Wilson served as President of Methanex Corporation (a public company), and held various senior positions in North America and Asia during his 18 years with The Dow Chemical Company (a public company). Mr. Wilson also currently serves on the board of directors of Air Canada and Suncor Energy Inc., and previously served on the board of directors of Finning International Inc. (each a public company), and was also the past Chair of the Calgary Prostate Cancer Centre. He holds a degree in Chemical Engineering from the University of Waterloo.

Robert A. Mionis. Mr. Mionis has been President and Chief Executive Officer of the Corporation since August 1, 2015. From July 2013 until August 2015, he was an Operating Partner at Pamplona Capital Management (Pamplona), a global private equity firm focused on companies in the industrial, aerospace, healthcare and automotive segments. Before joining Pamplona, Mr. Mionis spent over six years as the President and CEO of StandardAero, a global aerospace maintenance, repair and overhaul company. Before StandardAero, Mr. Mionis held senior leadership roles at Honeywell, most recently as the head of the Integrated Supply Chain Organization for Honeywell Aerospace. Prior to Honeywell, Mr. Mionis held a variety of progressively senior leadership roles with General Electric (GE) and Axcelis Technologies (each a public company) and AlliedSignal. He holds a Bachelor of Science in Electrical Engineering from the University of Massachusetts.

Mandeep Chawla. Mr. Chawla has been Chief Financial Officer of the Corporation since October 19, 2017. As Chief Financial Officer, Mr. Chawla is responsible for overseeing Celestica's accounting, financial and investor relations functions. Since joining Celestica in 2010, Mr. Chawla has held progressively senior roles in the finance organization, most recently Interim Chief Financial Officer (from May to October 2017), and Senior Vice President,

Finance (from July 2016 until May 2017). Prior to joining Celestica, he held finance positions with MDS Inc., Tyco International, and General Electric. Mr. Chawla holds a Master of Finance degree from Queen's University and a Bachelor of Commerce degree from McMaster University. He is a Certified Management Accountant.

Todd C. Cooper. Mr. Cooper joined Celestica as Chief Operations Officer in 2018 with over 25 years of experience in operations leadership and advisory roles. Prior to joining Celestica, Mr. Cooper led Supply Chain, Procurement, Logistics, and Sustainability value creation efforts across the portfolio companies of KKR, a leading global investment firm, from 2008 to 2018. Prior to that, he was the Vice President of Global Sourcing in Honeywell's Aerospace Division from 2005 to 2008. Before Honeywell, Mr. Cooper held various management roles at Storage Technology Corporation, McKinsey & Company, and served as a Captain in the U.S. Army.

Elizabeth L. DelBianco. Ms. DelBianco is Chief Legal and Administrative Officer and Corporate Secretary. In this role, she oversees legal, contracts, brand and communications, and sustainability. Ms. DelBianco joined Celestica in 1998 and since that time has been responsible for managing legal, governance, and compliance matters for Celestica on a global basis. From 2007 to 2016, Ms. DelBianco was also responsible for overseeing human resources policies and practices. Prior to joining Celestica, Ms. DelBianco was a senior corporate legal advisor in the telecommunications industry. She holds a Bachelor of Arts degree from the University of Toronto, a Bachelor of Laws degree from Queen's University, and a Master of Business Administration degree from the University of Western Ontario. She is admitted to practice in Ontario and New York.

John ("Jack") J. Lawless. Mr. Lawless is President, Advanced Technology Solutions (ATS). In this role, he is responsible for the strategy and execution of Celestica's aerospace and defense, industrial, healthcare, and smart energy businesses, as well as semiconductor capital equipment and consumer. He has served in this role since joining Celestica in October 2015; however, his title changed in October 2016 from Executive Vice President, Diversified Markets in order to reflect organizational developments made to better align with the Corporation's business strategy and operational model. From 2009 to 2014, Mr. Lawless was the CEO of Associated Air Center, a subsidiary of StandardAero, one of the world's largest independent global aerospace maintenance, repair and overhaul companies. He also held the role of Chief Operating Officer of StandardAero, where he was responsible for operations, supply chain, quality, IT, and engineering. Prior to StandardAero, Mr. Lawless held a number of Vice President-level roles with Honeywell. Before joining Honeywell, he held progressively senior positions with Axcelis Technologies, General Cable and AlliedSignal.

Michael P. McCaughey. Mr. McCaughey is President, Connectivity and Cloud Solutions (CCS). In this role, he is responsible for the strategic direction of the Corporation's enterprise and communications businesses, as well as its managed services businesses. He also oversees key activities for all customer accounts in the Corporation's enterprise and communications businesses. He has served in this role since 2012; however, his title changed in October 2016 from Executive Vice President, Communications, Enterprise and Managed Services in order to reflect organizational developments made to better align with the Corporation's business strategy and operational model. From 2005 to 2012, he held senior positions within the Corporation's enterprise and communications businesses. Prior to joining Celestica in 2005, Mr. McCaughey held the role of Senior Vice President, Wireline Network Systems, at Sanmina-SCI. Before joining Sanmina-SCI, Mr. McCaughey held senior roles at Hyperchip Inc. and SCI Systems (prior to that company's merger with Sanmina). He holds a DEC in Electrotechnology from Vanier College and studied Electrical Engineering at McGill University.

Nicolas Pujet. Mr. Pujet has been Chief Strategy Officer since July 2016. In this role, he leads Celestica's strategy and corporate development including the design and development of the Company's vision, strategic framework and planning activities in support of the Company's business objectives, as well as mergers and acquisitions. Prior to joining Celestica, Mr. Pujet spent more than 16 years in various strategic and leadership roles. From 2003 to 2016, he served in various strategy positions at Level 3 Communications. Most recently, he was the Senior Vice President, Corporate Strategy and was responsible for that company's strategic outlook and strategic planning and analyses worldwide. From 1999 to 2003, Mr. Pujet served as a Management Consultant with McKinsey & Company, a global management consulting firm. He holds a Ph.D. in Aeronautics and Astronautics from MIT.

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

None of the directors of the Corporation during 2017, or current directors or nominees serve together as directors of other corporations.



The following table identifies the functional competencies, expertise and qualifications of the Corporation's current directors and nominees pursuant to a skills matrix developed by the Nominating and Governance Committee to identify functional competencies, expertise and qualifications that our Board would ideally possess:

#### Skills

Service on Other Public (For-Profit) Company Boards	ü ü ü ü ü ü ü	7
Senior Officer or CEO Experience	ü ü ü ü ü ü ü ü	8
Financial Literacy	ü ü ü ü ü ü ü ü	9
Communications and/or Enterprise Computing	ü ü	2
A&D, Healthcare, Semiconductor, Solar, Industrial	ü ü ü	3
Services (design, after-market)	ü ü ü	3
Europe and/or Asia Business Development	ü ü ü ü ü ü ü	7
Operations (supply chain management and manufacturing)	ü ü ü ü	4
Marketing and Sales	ü ü ü ü ü ü ü	7
Strategy Deployment/M&A	ü ü ü ü ü ü ü ü	9
Talent Development and Succession Planning	ü ü ü ü ü ü ü	7
IT and Business Transformation	ü ü ü ü ü	5
Finance and Treasury	ü ü ü ü ü	5
Other Characteristics		
Gender	MMFMFMMM7M/2F	

#### B. Compensation

##### Director Compensation

Director compensation is set by the Board on the recommendation of the Compensation Committee and in accordance with director compensation guidelines and principles established by the Nominating and Corporate Governance Committee. Under these guidelines and principles, the Board seeks to maintain director compensation at a level that is competitive with director compensation at comparable companies, and requires a substantial portion of such compensation to be taken in the form of DSUs. The director fee structure for 2017 is set forth in Table 1 below.

Table 1: Directors' Fees<sup>(1)</sup>

Element	Director Fee Structure for 2017 <sup>(2)</sup>
Annual Board Retainer <sup>(3)</sup>	\$360,000 – Board Chair \$235,000 – Directors
Travel Fees <sup>(4)</sup>	\$2,500
Annual Retainer for the Audit Committee Chair	\$20,000
Annual Retainer for the Compensation Committee Chair	\$15,000
Annual Retainer for the Nominating and Governance Committee Chair <sup>(5)</sup>	–
DSU Election <sup>(6)</sup>	Directors must elect to be paid either 100% or 75% of their aggregate annual retainers (including committee Chair retainers) and travel fees in the form of DSUs

Does not include Mr. Mionis, President and Chief Executive Officer (“CEO”) of the Corporation, whose (1) compensation is set out in Table 15. Does not include fees payable to Onex for the service of Mr. Popatia as a director, which is described in footnote 9 to Table 2.

Directors may also receive further retainers and meeting fees for participation on ad hoc committees. No fees were (2) paid for participation on the Director Search Committee (an ad hoc committee formed to identify potential new directors) during 2017. The Board has the discretion to grant supplemental equity awards to individual directors as deemed appropriate (no such discretion was exercised in 2017).

(3) Paid on a quarterly basis.

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

(5) The Chair of the Board also served as the Chair of the Nominating and Corporate Governance Committee in 2017, for which no additional fee was paid.

Credited on a quarterly basis. The number of DSUs granted are calculated by dividing the notional cash amount for (6) the quarter by the closing price of SVS on the NYSE on the last business day of such quarter. If no election is made, 100% of a director’s aggregate annual retainer and travel fees will be paid in DSUs.

Subject to the terms of the Directors’ Share Compensation Plan, each DSU represents the right to receive one SVS or an equivalent value in cash (at the Corporation’s discretion) when the director (a) ceases to be a director of the Corporation and (b) is not an employee of the Corporation or a director or employee of any corporation that does not deal at arm’s length with the Corporation (collectively, “Retires”). The date used in valuing the DSUs for settlement is the date that is 45 days following the date on which the director Retires, or as soon as practicable thereafter. DSUs are redeemed and payable on or prior to the 90<sup>th</sup> day following the date on which the director Retires. The number of DSUs granted is calculated by dividing the fee that would otherwise be payable by the closing price of SVS on the NYSE on the last business day of the quarter.

The Compensation Committee plans to conduct a review of director compensation in 2018.

#### Directors’ Fees Earned in 2017

All compensation paid in 2017 by the Corporation to its directors is set out in Table 2, except for the compensation of Mr. Mionis, President and CEO of the Corporation, which is set out in Table 15, and Mr. Chopra, who is standing for election by shareholders for the first time at the Meeting. In 2017, the Board (excluding Mr. Popatia – see footnote 9 to Table 2) earned total annual board retainer fees, committee chair retainer fees and travel fees (collectively, “Annual Fees”) in the amount of \$1,937,011, including total grants of DSUs in the amount of \$1,696,125.

Table 2: Director Fees Earned in Respect of 2017

Name	Annual Fees Earned			Allocation of Annual Fees <sup>(1)</sup>	
	Annual Board Retainer	Annual Committee Chair Retainer	Travel Fees	Total Fees	DSUs <sup>(2)</sup> Cash <sup>(3)</sup>
Daniel P. DiMaggio	\$235,000	–	\$10,000	\$245,000	\$183,750 \$61,250
William A. Etherington <sup>(4)(11)</sup>	\$360,000	–	–	\$360,000	\$360,000–
Thomas S. Gross <sup>(6)</sup>	\$196,046	–	\$7,500	\$203,546	\$152,660 \$50,886
Laurette T. Koellner	\$235,000	\$20,000 <sup>(5)</sup>	\$10,000	\$265,000	\$198,750 \$66,250
Joseph M. Natale <sup>(7)</sup>	\$133,465 <sup>(8)</sup>	–	–	\$133,465	\$133,465–