CELESTICA INC
Form 20-F
March 15, 2013

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

o Registration statement pursuant to Section 12(b) or (g)
of the Securities Exchange Act of 1934
or
ý Annual report pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
for the fiscal year ended December 31, 2012
or
o Transition report pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
or
o Shell company report pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of event requiring this shell company report:

For the transition period from ___________ to ___________

Commission file number: 1-14832

CELESTICA INC.

(Exact name of registrant as specified in its charter)

Ontario, Canada

(Jurisdiction of incorporation or organization)

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

(Address of principal executive offices)

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

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

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

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

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

N/A

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

N/A

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

163,825,129 Subordinate Voting Shares　　0 Preference Shares
18,946,368 Multiple Voting Shares

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

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

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

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

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

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

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

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

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

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

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Part I

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

In this Annual Report, all dollar amounts are expressed in United States dollars, except where we state otherwise. All references to "U.S.$" or "$" are to U.S. dollars and all references to "C$" are to Canadian dollars. Unless we indicate otherwise, any reference in this Annual Report to a conversion between U.S.$ and C$ is a conversion at the average of the exchange rates in effect for the year ended December 31, 2012. During that period, based on the relevant noon buying rates in New York City for cable transfers in Canadian dollars, as certified for customs purposes by the Board of Governors of the Federal Reserve Bank, the average daily exchange rate was U.S.$1.00 = C$0.9995.

Unless we indicate otherwise, all information in this Annual Report is stated as of February 15, 2013, the date as of which we prepared information for our annual report to shareholders and management information circular and proxy statement.

Forward-Looking Statements

Item 4, "Information on the Company", Item 5, "Operating and Financial Review and Prospects" and other sections of this Annual Report contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the U.S. Securities Act, Section 21E of the Securities Exchange Act of 1934, as amended, or the U.S. Exchange Act, and applicable Canadian provincial and territorial securities legislation including, without limitation: statements related to our future growth; trends in our industry; our financial or operational results, including our revenue and margin forecasts; the impact of acquisitions and program wins or losses on our financial results and working capital requirements; anticipated expenses, restructuring charges, capital expenditures or benefits; our expected tax outcomes; our cash flows, financial targets and priorities; changes in our mix of revenue by end market; our ability to diversify and grow our customer base and develop new capabilities; and the effect of the global economic environment on customer demand. Such forward-looking statements are predictive in nature, and may be based on current expectations, forecasts or assumptions involving risks and uncertainties that could cause actual outcomes and results to differ materially from the forward-looking statements themselves. Such forward-looking statements may, without limitation, be preceded by, followed by, or include words such as "believes", "expects", "anticipates", "estimates", "intends", "plans", "continues", or similar expressions, or may employ such future or conditional verbs as "may", "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 in applicable Canadian provincial and territorial securities legislation.

Forward-looking statements are not guarantees of future performance. You should understand that the following important factors, in addition to those discussed in Item 3D, "Key Information Risk Factors", and elsewhere in this Annual Report, could affect our future results and could cause those results to differ materially from those expressed in such forward-looking statements:

- our dependence on a limited number of customers and on our customers' ability to compete and succeed in the marketplace with the products we manufacture;
- the effects of price and other competitive factors generally affecting the electronics manufacturing services ("EMS") industry;
- the challenges of effectively managing our operations and our working capital performance during uncertain economic conditions, including responding to rapid changes in demand and changes in our customers' outsourcing strategies, including the insourcing of programs;
- the challenges of diversifying our customer base, including the extent and timing of replacing revenue from lost programs or customer disengagements;
- the challenges of managing changing commodity, material and component costs as well as labor costs and conditions;

disruptions to our operations, or those of our customers, component suppliers or our logistics partners, resulting from local events, including natural disasters, political instability, labor or social unrest, criminal activity and other risks present in the jurisdictions in which we operate;

our inability to retain or expand our business due to execution problems relating to the ramping of new programs;

delays in the delivery and availability of components, services and materials used in our manufacturing process;

the risk of non-performance by counterparties;

the challenges of mitigating our financial exposure to foreign currency volatility;

our dependence on industries affected by rapid technological change;

variability of operating results;

our ability to successfully manage our global operations and supply chain;

increasing income taxes, increased levels and scrutiny of tax audits globally, and the challenges of successfully defending our tax positions or meeting the conditions of tax incentives and credits;

our ability to successfully implement and complete our restructuring plans and integrate our acquisitions in a timely manner;

our ability to define and successfully implement an information technology strategy and countermeasures to mitigate the risk of computer viruses, malware, hacking attempts or outages that may disrupt our operations; and

our compliance with applicable laws, regulations and social responsibility initiatives may impact our operations.

Our forward-looking statements are also based on various assumptions which management believes are reasonable under the current circumstances, but may prove to be inaccurate, and many of which involve factors that are beyond our control. Our material assumptions may include the following:

forecasts from our customers, which generally range from 30 days to 90 days and can fluctuate significantly in terms of volume and mix of products or services;

the timing and execution of, and investments associated with, ramping new business;

the success in the marketplace of our customers' products;

general economic and market conditions;

currency exchange rates;

pricing, the competitive environment and contract terms and conditions;

supplier performance, pricing and terms;

compliance by all third parties with their contractual obligations, the accuracy of their representations and warranties, and the performance of their covenants;

components, materials, services, plant and capital equipment, labor, energy and transportation costs and availability;

operational and financial matters;

technological developments;

the timing and execution of our restructuring actions; and

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

Our assumptions and estimates are based on management's current views with respect to current plans and events, and are and will be subject to the risks and uncertainties discussed above and elsewhere in this Annual Report. Forward-looking statements are provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that such information may not be appropriate for other purposes.

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

The Consolidated Financial Statements for 2010, 2011 and 2012 were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). See Item 18. Prior to adopting IFRS, we prepared our Consolidated Financial Statements using Canadian generally accepted accounting principles ("GAAP"). GAAP differs in some respects from IFRS. We have provided an explanation of our transition to IFRS in note 3 of our Consolidated Financial Statements in Item 18 of our 2011 Annual Report.

The consolidated financial information in the below tables for 2010, 2011 and 2012 was prepared in accordance with IFRS.

	Year ended December 31		
	2010	2011	2012
	(in millions, except per share amounts)		
Consolidated Statements of Operations Data (IFRS):			
Revenue	$ 6,526.1	$ 7,213.0	$ 6,507.2
Cost of sales	6,082.0	6,721.6	6,068.8
Gross profit	444.1	491.4	438.4
Selling, general and administrative expenses (SG&A)(1)	252.1	267.2	252.2
Amortization of intangible assets	15.8	13.5	11.3
Other charges(2)	49.9	6.5	59.5
Finance costs(3)	6.9	5.4	3.5
Earnings before income taxes	119.4	198.8	111.9
Income tax expense (recovery)	18.2	3.7	(5.8)
Net earnings	$ 101.2	$ 195.1	$ 117.7
Other Financial Data (IFRS):			
Basic earnings per share	$ 0.44	$ 0.90	$ 0.56
Diluted earnings per share	$ 0.44	$ 0.89	$ 0.56
Property, plant and equipment and computer software cash expenditures	$ 60.8	$ 62.3	$ 105.9
Shares used in computing per share amounts (in millions):			
Basic	227.8	216.3	208.6
Diluted	230.1	218.3	210.5

	As at December 31		
	2010	2011	2012
	(in millions)		
Consolidated Balance Sheet Data (IFRS):			
Cash and cash equivalents	$ 632.8	$ 658.9	$ 550.5
Working capital(4)	1,009.1	1,116.0	911.8
Property, plant and equipment	332.2	322.7	337.0
Total assets	3,013.9	2,969.6	2,658.8
Equity	1,282.9	1,463.8	1,316.7

(1) SG&A expenses include research and development costs.

(2) Other charges in 2010 totaled $49.9 million, comprised primarily of: (a) a $35.8 million restructuring charge, (b) a non-cash write-down of $9.1 million relating to the annual impairment assessment, primarily against computer software assets and property, plant and equipment and (c) an $8.8 million loss on repurchase of long-term debt.

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

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

(3) Finance costs is comprised of interest expense incurred on indebtedness (including indebtedness under our credit facilities) less interest income earned on cash and cash equivalents.

(4) Calculated as current assets less current liabilities.

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We were not required to retroactively apply IFRS to our financial statements for years prior to 2010. The consolidated financial information in the below tables for 2008 and 2009 was prepared in accordance with GAAP which conform in all material respects with U.S. GAAP except as described in footnote 4 below.

	Year ended December 31	
	2008	2009
	(in millions, except per share amounts)	
Consolidated Statements of Operations Data (Canadian GAAP):		
Revenue	$ 7,678.2	$ 6,092.2
Cost of sales	7,147.1	5,662.4
Gross profit	531.1	429.8
SG&A[(1)]	292.0	244.5
Amortization of intangible assets	26.9	21.9
Other charges[(2)]	885.2	68.0
Interest expense[(3)]	42.5	35.0
Earnings (loss) before income taxes	(715.5)	60.4
Income tax expense	5.0	5.4
Net earnings (loss)	$ (720.5)	$ 55.0
Other Financial Data (Canadian GAAP):		
Basic earnings (loss) per share	$ (3.14)	$ 0.24
Diluted earnings (loss) per share	$ (3.14)	$ 0.24
Property, plant and equipment and computer software cash expenditures	$ 88.8	$ 77.3
Consolidated Statements of Operations Data (U.S. GAAP)[(4)]:		
Net earnings (loss)	$ (725.8)	$ 39.0
Shares used in computing per share amounts (in millions):		
Basic	229.3	229.5
Diluted	229.3	230.9

	As at December 31	
	2008	2009
	(in millions)	
Consolidated Balance Sheet Data (Canadian GAAP):		
Cash and cash equivalents	$ 1,201.0	$ 937.7
Working capital[(5)]	1,603.6	1,023.0
Property, plant and equipment	433.5	393.8
Total assets	3,786.2	3,106.1
Total long-term debt, including current portion[(6)]	733.1	222.8
Equity	1,365.5	1,475.8
Consolidated Balance Sheet Data (U.S. GAAP)[(4)]:		
Total assets	$ 3,786.2	$ 3,106.1
Total long-term debt, including current portion[(6)]	723.4	221.2
Equity	1,254.8	1,346.8

(1) SG&A expenses include research and development costs.

(2) Other charges in 2008 totaled $885.2 million, comprised primarily of: (a)(i) a non-cash write-down of $850.5 million relating to the annual goodwill impairment assessment, (ii) a $35.3 million restructuring charge and (iii) a non-cash write-down of $8.8 million relating to the annual impairment assessment, primarily against property, plant and equipment, offset, in part, by (b) a $7.6 million gain on repurchase of long-term debt.

Other charges in 2009 totaled $68.0 million, comprised primarily of: (a)(i) a $83.1 million restructuring charge and (ii) a non-cash write-down of $12.3 million relating to the annual impairment assessment, primarily against property, plant and equipment, offset, in

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part, by (b)(i) a net $23.7 million recovery of damages from the settlement of a class action lawsuit and (ii) a net $2.8 million gain on repurchase of long-term debt, net of a write-down of the embedded options on the debt.

(3) Interest expense is comprised of interest expense incurred on indebtedness (including indebtedness under our credit facilities) less interest income earned on cash and cash equivalents and the marked-to-market adjustments related to our subordinated debt and interest rate swaps. Our swap agreements were terminated in February 2009 and we redeemed all outstanding subordinated debt by March 2010.

(4) The significant differences between the line items under Canadian GAAP and U.S. GAAP arose primarily from:

For 2008: reversal of gain on foreign exchange contract, the timing of recording certain tax uncertainties and the adjustments relating to the adoption of financial instruments, hedges and comprehensive income for Canadian GAAP; and

For 2009: adjustments relating to financial instruments and hedging, and the timing of recording certain tax uncertainties.

(5) Calculated as current assets less current liabilities.

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

Exchange Rate Information

The rate of exchange as of February 15, 2013 for the conversion of Canadian dollars into United States dollars was U.S.$0.9931 and for the conversion of United States dollars into Canadian dollars was C$1.0069. The following table sets forth the exchange rates for the conversion of U.S.$1.00 into Canadian dollars for the identified periods. The rates of exchange set forth herein are shown as, or are derived from, the reciprocals of the noon buying rates in New York City for cable transfers payable in Canadian dollars, as certified for customs purposes by the Federal Reserve Bank of New York. The source of this data is the Board of Governors of the Federal Reserve's website (http://www.federalreserve.gov).

	2008	**2009**	**2010**	**2011**	**2012**
Average	1.0660	1.1412	1.0298	0.9887	0.9995

	February 2013	**January 2013**	**December 2012**	**November 2012**	**October 2012**	**September 2012**
High	1.0286	1.0078	0.9958	1.0029	1.0003	0.9901
Low	0.9959	0.9839	0.9841	0.9927	0.9763	0.9710

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

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

Our customers include original equipment manufacturers ("OEMs") and service providers. A decline in revenue from the customers on which we are dependent or the loss of a significant customer could have a material adverse effect on our financial condition and operating results. During 2012, two customers (2011 two customers; 2010 one customer) individually represented more than 10% of our total revenue, and our top 10 customers represented 67% (2011 71%; 2010 72%) of our total revenue. In June 2012, we announced that we would wind down our manufacturing services for Research In Motion Limited ("RIM"). We completed our manufacturing services for RIM and the related transition activities by the end of 2012. Our operating results are highly dependent upon our customers' ability to compete and succeed in the marketplace with the products we manufacture. These marketplaces are characterized by continued and rapid shifts in technology, changes in preferences by the end customer or other changes in end-market demand, as well as increased competition. 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 our operating results.

We depend upon a relatively small number of customers for a significant percentage of our revenue. The mix of our customers and the types of products or services we provide to these customers will have an impact on our operating results from period-to-period. There can be no assurance that our efforts to target new customers and services in our traditional and newly expanding markets, including the pursuit of acquisitions, will succeed in reducing our customer concentration risk. Acquisitions are also subject to integration risk and volumes and margins could be lower than we anticipate. As we continue to pursue opportunities in new markets, we may encounter challenges as our knowledge or experience may be limited in these new markets or technologies.

There can be no assurance that present or future significant 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 or bring programs in-house or adjust the concentration of their supplier base. Significant reductions in, or the loss of, revenue from any of our customers may have a material adverse effect on us. We cannot assure the replacement of delayed, cancelled or reduced orders with new business. In addition, the ramping of new programs may take from several months to more than a year before production starts and may require significant up-front investments and increased working capital requirements. During this start-up period, these programs may generate losses or may not achieve the expected financial performance due to production ramp inefficiencies, lower than expected volume or delays in ramping to volume. Our customers may significantly change these programs, or even cancel them altogether, due to changes in end-market demand or changes in the viability of our customers' products in the marketplace.

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

We are in a highly competitive industry. Our competitors include Benchmark Electronics, Inc., Flextronics International Ltd., Hon Hai Precision Industry Co., Ltd., Jabil Circuit, Inc., Plexus Corp., and Sanmina-SCI Corporation, as well as smaller EMS companies that often have a regional, product, service or industry-specific focus or original design manufacturers ("ODMs") that provide internally designed products and manufacturing services. We also face indirect competition from the manufacturing operations of our current and prospective customers, as these companies could choose to manufacture products internally rather than to outsource to EMS providers, or they may choose to insource previously outsourced business, particularly where internal excess capacity exists.

The competitive environment in our industry is very intense and aggressive pricing is a common business dynamic. Some of our competitors have greater scale and a broader range of services than we offer. While we 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 more 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; may develop or acquire services comparable or superior to those we develop; combine or merge to form larger competitors; or adapt more quickly than we may to new technologies, evolving industry trends and changing customer requirements. Some of our competitors have increased their vertical capabilities by manufacturing modules or components used in the products they assemble, such as metal or plastic parts and enclosures, backplanes, circuit boards, cabling and related products. This expanded capability may provide them with a competitive advantage and greater cost savings and may lead to more aggressive pricing for electronics manufacturing services. Competition may cause pricing pressures, reduced profits or a loss of market share (for example, from program losses or customer disengagements). We may not be able to compete successfully against our current and future competitors.

We are operating in an uncertain global economic environment.

The global economy continues to be uncertain and may continue to negatively impact our operations. Uncertainty surrounding the current global economic and geo-political outlook continues to limit the overall demand visibility of our end markets and may impact the future demand for some of the products we manufacture or services we provide. This environment may also impact the financial condition of our customers or suppliers, as well as the number and pace of further customer consolidation.

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

We are dependent on a limited number of end markets for our revenue. Our mix of revenue by end market will continue to change, which may adversely affect our margins and our ability to grow our revenue and may increase the effects of seasonality on our business.

To reduce our reliance on any one customer or end market, we have been targeting new customers and new services in our traditional markets, exploring acquisition opportunities, and expanding our business in our diversified end markets such as industrial, aerospace and defense, healthcare, solar, green technology and the semiconductor equipment market. As a result, our mix of revenue by end market has changed and may continue to change. Our mix by end market is also impacted by the overall end market demand, the timing and extent of new program wins, losses or follow-on business from customers and from acquisitions, amongst other factors.

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 operating margins and adversely impact our financial position and cash flows.

In the past, we have experienced some level of seasonality in our quarterly revenue patterns across a number of the end markets we serve. As our revenue from quarter-to-quarter is dependent on the level of demand and mix in each of our end markets, it is difficult for us to predict the extent and impact of seasonality on our business.

Our results can be 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 could adversely impact our operating results.

Our operations could be adversely affected by local events, including natural disasters, political instability, labor or social unrest, criminal activity and other risks present in the jurisdictions in which we operate.

Our operations and those of our customers, component suppliers or our logistic partners may be disrupted by local events, including natural disasters (such as the 2011 earthquake and tsunami in Japan and the flooding in Thailand), political instability, labor or social unrest, criminal activity and other risks present in the jurisdictions in which we, our suppliers and customers operate. Such events could seriously harm our results of operations and increase our costs. We carry insurance to cover damage to our facilities and interruptions to our operations, including those that may occur as a result of natural disasters, such as flooding and earthquakes, hurricanes, tsunamis or other events. Our insurance policies are subject to deductibles, coverage limitations and exclusions, and may not provide adequate coverage.

Increased international political instability, terrorism, enhanced national security measures, armed conflicts, security issues at the U.S./Mexico border related to illegal immigration or criminal activities associated with illegal drug activities, labor or social unrest, strained international relations and the related decline in consumer confidence arising from these factors may hinder our ability to conduct business or 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 facilities and finished products to customers.

We rely on a variety of common carriers for the transportation of materials and products and for their ability to route these materials and products through various international ports and other transportation hubs. A work stoppage, strike or shutdown of any important supplier's facility or operations, or at any major port or airport, or the inability to access any such facility 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 world economy in general and customer confidence and spending in particular, which in turn could adversely affect our revenue and operating results. Such events could increase the volatility of the market price of our securities and may limit the capital resources available to us and our customers and suppliers.

We may encounter difficulties expanding our operations which could adversely affect our operating results.

As we expand our business, enter into new markets and products, invest in research, design and development, acquire new businesses or capabilities, and transfer business from one region to another, we may encounter difficulties that result in higher than expected costs associated with such activities and customer dissatisfaction with our performance. Potential difficulties related to our growth and/or operations include our ability to:

- manage growth effectively, including having trained personnel to manage operations, new customers and new products;
- maintain existing customer, supplier, employee and other favorable business relationships during periods of transition;
- anticipate disruptions in our operations that may impact our ability to deliver to the customer on time, to produce quality products and to ensure overall customer satisfaction; and
- respond rapidly to changes in customer demand or to program losses or customer disengagements.

We may encounter difficulties with the ramping and execution of new program wins from existing or new customers. We may require significant investments to support these new programs, including increased working capital requirements, and may generate lower margins during the ramp period. There can be no assurance our increased investments will benefit us or result in business growth. As we pursue opportunities in new markets or technologies, we also may encounter challenges due to our limited knowledge or experience. Any of these factors could prevent us from realizing the anticipated benefits of growth in new markets, which could adversely affect our business and operating results.

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

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

Our customers may change their forecast, production quantities or product type, or may accelerate, delay or cancel production quantities for various reasons. When customers change production volumes or request different products to be manufactured than what they originally forecasted, the unavailability of components and materials for such changes could also impact our revenue and working capital performance. Further, to guarantee continuity of supply for many of our customers, we are required to manufacture and warehouse specified quantities of finished goods. The uncertainty of 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.

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

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

Our customers, competitors and suppliers are subject to merger and acquisition transactions. Future mergers involving, or acquisitions of, our customers may result in a decrease in demand from our customers or a loss of business to our competitors as customers rationalize their business and consolidate their suppliers. Mergers or 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.

We may encounter challenges in completing or integrating our acquisitions which could adversely affect our operating results.

We expect to expand our presence in new end markets and expand our capabilities, some of which may occur through acquisitions. These transactions may involve acquisitions of entire companies or acquisitions of selected assets. Potential challenges related to our acquisitions include:

- integrating acquired operations, systems and businesses;
- retaining customer, supplier, employee or other business relationships of acquired operations;
- addressing unforeseen liabilities of acquired businesses;
- limited experience with new technologies and markets; and
- not achieving anticipated business volumes or operating margins.

Any of these factors may prevent us from realizing the anticipated benefits of an acquisition, including additional revenue, operational synergies and economies of scale. Our failure to realize the anticipated benefits of acquisitions may adversely affect our business and operating results and require us to write-down the carrying value of goodwill and intangible assets in periods subsequent to the acquisitions. For example, the majority of our $17.7 million impairment charge in 2012 was incurred to write-down goodwill related to the healthcare business we acquired in 2010, as our progress and our ability to ramp this business have been slower than we had anticipated.

Our results can be affected by the availability of components.

The purchase of materials and electronic components represents a significant portion of our costs. 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. 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, which could adversely impact our operating results.

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

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

Rising oil and other commodity prices may negatively impact our operating results due to higher production and transportation costs.

We rely on various energy sources in our production and transportation activities. The price of commodities, including oil, has been volatile and remains uncertain. Increased 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 may negatively impact our operating margins and could adversely impact our operating results.

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

A failure by a counterparty, which includes customers, suppliers, financial institutions and other third parties with which we conduct business, to fulfill its contractual obligations may result in a financial loss to us. We generally provide payment terms to our customers ranging from 15 days to 60 days. Our accounts receivable balance at December 31, 2012 was $700.5 million, with one customer individually representing more than 10% of our total accounts receivable. If any of our customers have insufficient liquidity, we could encounter significant delays or defaults in payments owed to us by such customers, or we may extend our payment terms, which could adversely impact our financial condition and operating results. We also may not be able to recover all of the amounts owed to us by a customer, including amounts to cover unused inventory or capital investments we acquired to support that customer's business. If a key supplier experiences financial difficulties, this may affect its ability to supply us with materials or components, which could halt or delay the production of a customer's product, and have a material adverse impact on our operations.

We face financial risks due to foreign currency volatility.

Global currency markets can be volatile. Although we conduct the majority of our business in U.S. dollars, our financial results are affected by the valuation of foreign currencies relative to the U.S. dollar. Events such as the European sovereign debt crisis can increase uncertainty in financial and currency markets and may negatively impact our operating results.

Our significant non-U.S. currency exposures include the Canadian dollar, Thai baht, Malaysian ringgit, Mexican peso, British pound sterling, Chinese renminbi, Euro, and the Romanian leu. We enter into forward exchange contracts, generally for periods of up to 15 months, intended to hedge our cash flows and significant balance sheet exposures against significant fluctuations in the foreign exchange rates of many of these foreign currencies. Our operating results may be adversely impacted by currency fluctuations to the extent our hedging program does not mitigate the impact of our foreign currency costs and exposures.

Our customers may be affected by rapid technological changes that may have an impact on their success in their markets and on our business.

Many of our customers compete in markets that are characterized by rapidly changing technology, evolving industry standards and continuous improvements in products and services. These conditions frequently result in shorter product lifecycles. Our success will depend largely on the success achieved by our customers in developing and marketing their products. If technologies or standards supported by our customers' products or their models become obsolete, fail to gain widespread acceptance or are cancelled, our business could be adversely affected. As an example, declines in end-market demand for customer-specific proprietary systems in favor of open systems with standardized technologies could have an adverse impact on our business. The highly competitive nature of our customers' products could also drive consolidation among OEMs, and result in product line consolidation that could adversely impact our customer relationships and our revenue.

Global operations are subject to inherent risks. Our ability to successfully manage our global operations and supply chain has an impact on our financial performance and operating results.

We have facilities in numerous countries, including Canada, the United States, Austria, China, Ireland, Japan, Malaysia, Mexico, Romania, Scotland, Singapore, Spain and Thailand. During 2012, approximately two-thirds of our revenue was produced at locations outside of the Americas. 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:

- labor unrest and differences in regulations and statutes governing employee relations;
- cultural differences and/or differences in local business customs;
- changes in regulatory requirements;
- inflation and rising costs;
- difficulty in staffing and managing foreign operations;
- challenges in building and maintaining infrastructure to support operations;
- changes in local tax rates and tax incentives and the adverse tax consequences of repatriating earnings;
- compliance with a variety of foreign laws, including changing import and export regulations;
- adverse changes in trade policies between countries in which we maintain operations;
- economic, political and social instability;
- potential restrictions on the transfer of funds; and
- foreign exchange risks.

We are subject to the risk of increasing income taxes, increased levels and scrutiny of tax audits globally and the challenges of successfully defending our tax positions or meeting the conditions of tax incentives and credits, any of which could adversely affect our financial condition and operating results.

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 tax expense could increase if certain tax incentives or credits from which we currently benefit are retracted. A retraction could occur if we fail to satisfy the conditions on which these tax incentives or credits are based, if they are not renewed upon expiration, if tax rates applicable to us in such jurisdictions are otherwise increased, or due to changes in legislation, regulation or administrative practices. We believe we will comply with the conditions of the tax incentives and credits from which we currently benefit; however, changes in our outlook in any particular country could impact our ability to meet the conditions.

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 increased levels and scrutiny of tax audits and reviews 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 penalties could have a significant impact on our future earnings and cash flows.

Certain of our subsidiaries provide financing, products and services to, and may from time-to-time undertake certain significant transactions with, other subsidiaries in different jurisdictions. 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 currently have ongoing tax audits. Tax authorities have asserted that income reported by certain of our subsidiaries for certain years should have been materially higher as a result of certain inter-company transactions, and that certain interest amounts deducted by a subsidiary on historical debt instruments should be re-characterized as capital losses. The successful pursuit of the assertions made by tax authorities arising from tax audits may result in our owing significant amounts of tax, interest and possibly penalties. The amounts we may be required to pay, or to put on deposit with the tax authorities to permit the subsidiary to continue to defend its tax filing positions, could be material.

We expect to continue to recognize the future benefit of certain Brazilian tax losses on the basis that these tax losses can and will be fully utilized in the fiscal period ending on the date of dissolution of our Brazilian subsidiary. While we believe that our interpretation of applicable Brazilian law is correct, our ability to realize this benefit is not certain and a failure to do so could have a material adverse effect on our operating results and financial condition.

As at December 31, 2012, a significant portion of our cash and cash equivalents was held by numerous foreign subsidiaries outside of Canada. Although substantially all of the cash and cash equivalents held outside of Canada could be repatriated, a significant portion may be subject to withholding taxes under current tax laws. We have not recognized deferred tax liabilities for cash and cash equivalents held by certain foreign subsidiaries related to earnings that are considered indefinitely reinvested outside of Canada and that we do not intend to repatriate in the foreseeable future (approximately $325 million of cash and cash equivalents as at December 31, 2012).

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

In the past, we have recorded charges resulting primarily from restructuring actions and the write-down of goodwill. These amounts have varied from period-to-period. We have undertaken numerous initiatives to restructure and reduce our capacity and cost structures in response to changes in the EMS industry and in end-market demand, with the intention of improving utilization and reducing our overall cost structure. See note 15 to the Consolidated Financial Statements in Item 18. We may also incur higher operating expenses during periods of transition. In certain situations, we have not been able to retain existing business or grow revenue due to execution problems resulting from significant headcount reductions, plant closures and product transfers. During 2012, we announced that we would take restructuring actions throughout our global network. We have estimated total restructuring charges of between $55.0 million to $65.0 million to complete our planned actions by the end of June 2013. Of this amount, we recorded restructuring charges of $44.0 million in 2012. Our restructuring charges in 2011 were $14.5 million (2010 $35.8 million). We evaluate our operations from time to time and may propose additional restructuring actions in the future. Any failure to successfully execute or realize the expected benefits from these initiatives, including any delay in implementing these initiatives, may have a material adverse impact on our operating results. During 2012, we also recorded impairment charges of $17.7 million (2011 nil; 2010 $9.1 million), primarily to write-down goodwill.

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 information technology 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 information technology systems to sophisticated and targeted measures known as advanced persistent threats. Despite the implementation of network security measures and disaster recovery plans, our systems and those of third parties on which we rely may also be vulnerable to computer viruses, break-ins and similar disruptions. If we or our vendors are unable to prevent such outages and breaches, our operations may be disrupted and our business reputation could be adversely affected.

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

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

The recruitment of personnel in the EMS industry is highly competitive. We believe that our future success will depend, in part, on our ability to attract and retain highly skilled executive, technical and management personnel. We do not have employment or non-competition agreements with the majority of our employees. The loss of the services of certain executive, management and technical employees, individually or in the aggregate, could have a material adverse effect on our operations.

If we are required to make larger contributions to our defined benefit pension plans in the future, this may have an adverse impact on our liquidity and our operating results.

We maintain multiple defined benefit pension plans, as well as supplemental pension plans. Our pension funding policy is to contribute amounts sufficient to meet minimum 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 and future interest rates. 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.

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

In certain of our sales contracts, we provide warranties against defects or deficiencies in our products, services or designs. As we expand our service offerings and pursue business in new end markets, our warranty obligations may increase and we may not be successful in pricing our products to appropriately cover our warranty costs. A successful claim for damages arising from defects or deficiencies for which we are not adequately insured, and for which indemnification from a third party is not available, could have a material adverse effect on our reputation and business, and our operating results and financial condition.

We may not be successful in keeping pace with technology changes.

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

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

We may not be successful in protecting 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 or our suppliers. If such claims are successful, we may be required to spend significant time and money to develop processes that do not infringe upon the rights of another person or to obtain licenses for the technology, process or information from the owner. We may not be successful in such development, or any such licenses may not be available on commercially acceptable terms, if at all. In addition, any litigation could be lengthy and costly and could adversely affect us even if we are successful in the litigation. As we expand our 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 may not be successful in preventing or detecting all errors or fraud.

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

We may not be successful in increasing revenue if the trend of outsourcing by OEMs or service providers slows.

Future growth in our revenue includes a dependence on new outsourcing opportunities in which we assume additional manufacturing and supply chain management responsibilities from OEMs or service providers. Our future growth will be limited to the extent that these opportunities are not available as a result of OEMs or service providers deciding to perform these functions internally or delaying their decision to outsource or our inability to win new contracts. As a result of the weak global economic environment, customers may shift production back to their own facilities to improve their factory utilization. Political pressures or negative sentiment by our customers' customers or local governments may impede the movement of production from one geography to another. These and other factors could adversely affect the rate of outsourcing generally, or adversely affect the rate of outsourcing to EMS providers, such as Celestica.

Compliance with governmental laws and obligations could be costly and may impact our operations.

We are subject to various federal/national, state/provincial, local and supra-national environmental laws and regulations. Our environmental management systems and practices have been designed to ensure compliance with these laws and regulations in a manner consistent with local practice. Maintaining compliance with and responding to increasingly stringent regulations require a significant investment of time and resources and may restrict our ability to modify or expand our facilities or to continue production. Our failure to comply with these laws and regulations may potentially result in significant fines and penalties, our operations may be suspended 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) and product use (such as energy efficiency and waste management/recycling). Noncompliance with these requirements may potentially result in substantial costs, including fines and penalties, and we may incur liability to our customers and consumers.

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

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

In the healthcare end market, we face substantial regulations, primarily from the U.S. Food and Drug Administration in the U.S., as well as in other jurisdictions, relating to some of the medical devices we manufacture. Several of our sites around the world are certified in quality management standards applicable to the healthcare industry. We are required to comply with the various statutes and regulations related to the design, development, testing, manufacturing and labeling of our medical devices in addition to reporting of certain information with respect to the safety of such products. If we are unable to comply with these regulations, we may be faced with fines, injunctions, product recalls, or suspension of production, among other adverse outcomes. Failure to comply with these regulations may materially affect our relationships with customers and our operating results.

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 and the U.S. Federal Aviation Administration. Several of our sites around the world are certified in quality management standards applicable to the aerospace and defense industry. Failure to comply with these regulations or the loss of any of our quality management certifications may result in fines, penalties and injunctions, and could prevent us from executing on current or winning future contracts, any of which may materially adversely affect our financial condition and operating results.

Our international operations require us to comply with various anti-bribery laws, including the U.S. Foreign Corrupt Practices Act ("FCPA"). In some countries in which we operate, it may be customary for businesses to engage in business practices that are prohibited by the FCPA or other laws and regulations. Although we have implemented policies and procedures designed to ensure compliance with the FCPA and similar laws, there can be no assurance that all of our employees and agents, as well as those of companies to which we outsource certain business operations, will not be in violation of our policies. In addition to the difficulty of monitoring compliance, any suspected activity would require a costly investigation by us. 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.

Government regulators or our customers may require us to comply with product or manufacturing standards that are more restrictive than current laws and regulations related to environmental matters or other social responsibility initiatives. An example is the *Dodd-Frank Wall Street Reform and Consumer Protection Act* which contains provisions concerning specified minerals originating from the Democratic Republic of Congo ("DRC") and adjoining countries that are believed to benefit armed groups (referred to as "conflict minerals"). As required by this Act, the SEC recently 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, we expect compliance with these rules to be 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.

Compliance or the failure to comply with employment laws and regulations may adversely impact our operating results.

We are subject to a variety of domestic and foreign employment laws, including without limitation those related to: workplace safety, discrimination, whistle-blowing, wages and overtime, classification of employees and severance payments. Such laws are subject to change, and enforcement activity relating to these laws, particularly outside the United States, can increase as a result of increased 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 by employees, any of which could adversely affect our operating results.

Failure to comply with the conditions of government grants could lead to grant repayments and adversely impact our financial position and operating results.

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

Our credit agreement contains restrictive covenants that may impair our ability to conduct business.

Our credit agreement contains financial and operating covenants that limit our management's discretion with respect to certain business matters. Among other factors, these covenants restrict our ability and our subsidiaries' ability to incur additional debt, create liens or other encumbrances, change the nature of our business, sell or otherwise dispose of assets, and merge or consolidate with other entities.

We are exposed to interest rate fluctuations.

We have a $400.0 million revolving credit facility that matures in January 2015. Borrowings under this facility bear interest at LIBOR or Prime rate plus a margin. At December 31, 2012, we had drawn $55.0 million under this facility (December 31, 2011 undrawn). Our borrowings under this facility, which vary from time to time, expose us to interest rate risks due to fluctuations in these rates. If the amount drawn on 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.

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

We currently have access to a revolving credit facility through financial institutions. We may also issue debt or equity securities to fund our operations or make acquisitions. Our ability to borrow or raise capital may be impacted if financial markets are unstable. In addition, a downgrade of our credit rating or an adverse change in the published outlook by a rating agency may impact our ability to raise funds in the time and amount necessary for us or increase our cost of capital. Unstable financial markets or a downgrade in our credit rating could adversely affect our business, operating results and financial condition.

The interest of our controlling shareholder, Onex Corporation, with a 74% voting interest, may conflict with the interests of other shareholders.

Onex Corporation, or Onex, owns, directly or indirectly, all of the outstanding multiple voting shares and less than 1% of the outstanding subordinate voting shares. The number of subordinate voting shares and multiple voting shares owned by Onex, together with those subordinate voting shares and multiple voting shares that Onex has the right to vote, represents approximately 74% of the 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 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 Company that might otherwise be beneficial to our other shareholders.

Onex has the power to elect our directors and its approval is required for significant corporate transactions such as certain amendments to our articles of incorporation, the sale of all or substantially all of our assets and plans of arrangement. The directors so elected have the authority, subject to applicable laws, to appoint or replace senior management, cause us to issue additional subordinate voting shares or multiple voting shares or repurchase subordinate voting shares or multiple voting shares, declare dividends or take other actions. Under our credit agreement, it is an event of default entitling our lenders to demand repayment if Onex ceases to control Celestica unless the shares of Celestica become widely held ("widely held" meaning that no one person owns more than 20% of the votes).

Gerald W. Schwartz, the Chairman of the Board, President and Chief Executive Officer of Onex, is also one of our directors, and holds, indirectly or directly, shares representing the majority of the voting rights of the shares of Onex. The interests of Onex and Mr. Schwartz may differ from the interests of the remaining holders of subordinate voting shares. For additional information about shareholder rights and restrictions relative to our subordinate voting shares and multiple voting shares, see Item 10(B), "Memorandum and Articles of Incorporation". For additional information about our principal shareholders, see Item 7(A), "Major Shareholders". Onex has, from time-to-time, issued debentures exchangeable and redeemable under certain circumstances for our subordinate voting shares, entered into forward equity agreements with respect to subordinate voting shares, sold shares (after exchanging multiple voting shares for subordinate voting shares), or redeemed these debentures through the delivery of subordinate voting shares, and could take similar actions in the future. These sales may impact our share price or have consequences on our debt and ownership structure.

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

In 2007, securities class action lawsuits were commenced against us and our former Chief Executive and Chief Financial Officers in the United States District Court of the Southern District of New York by certain individuals, on behalf of themselves and other unnamed purchasers of our stock, claiming that they were purchasers of our stock during the period January 27, 2005 through January 30, 2007. The plaintiffs allege violations of United States federal securities laws and seek unspecified damages. They allege that during the purported period we made statements concerning our actual and anticipated future financial results that failed to disclose certain purportedly material adverse information with respect to demand and inventory in our Mexican operations and our information technology and communications divisions. In an amended complaint, the plaintiffs added one of our directors and Onex Corporation as defendants. On October 14, 2010, the District Court granted the defendants' motions to dismiss the consolidated amended complaint in its entirety. The plaintiffs appealed to the United States Court of Appeals for the Second Circuit the dismissal of its claims against us and our former Chief Executive and Chief Financial Officers, but not as to the other defendants. In a summary order dated December 29, 2011, the Court of Appeals reversed the District Court's dismissal of the consolidated amended complaint and remanded the case to the District Court for further proceedings. The parties are currently engaged in the discovery process. Parallel class proceedings, including a claim issued in October 2011, remain against us and our former Chief Executive and Chief Financial Officers in the Ontario Superior Court of Justice. On October 15, 2012, the Ontario Superior Court of Justice granted limited aspects of the defendants' motion to strike, which ruling is subject to appeal, but the court has not granted leave nor certification of any actions. We believe the allegations in the claims are without merit and we intend to defend against them vigorously. However, there can be no assurance that the outcome of the litigation will be favorable to us or that it will not have a material adverse impact on our financial position or liquidity. In addition, we may incur substantial litigation expenses in defending the claims. We have liability insurance coverage that may cover some of our litigation expenses and potential judgments or settlement costs.

Potential unenforceability of civil liabilities and judgments.

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

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

Accounting standards are revised periodically and/or expanded upon by the standard-setting bodies. We are required to adopt new or revised accounting standards and to comply with revised interpretations issued from time-to-time by these authoritative bodies, which include the Canadian Accounting Standards Board ("CASB"), the International Accounting Standards Board ("IASB"), the Financial Accounting Standards Board ("FASB") and the U.S. Securities and Exchange Commission ("SEC"). In 2008, the CASB announced the adoption of IFRS for publicly accountable enterprises in Canada, effective 2011. The impact of our transition to IFRS is summarized in note 3 to our 2011 Consolidated Financial Statements included in our 2011 Annual Report. Our reported financial information may not be comparable to the information reported by our competitors because we are required to use different accounting standards. The FASB and IASB have been jointly collaborating on a series of projects to converge, improve and align the U.S. and international accounting standards as one global high quality standard. While there have been some delays in the convergence effort, we continue to monitor developments and consider the potential impacts. Future changes in accounting standards could adversely affect our reported operating results, profitability or financial condition.

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

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

At February 15, 2013, we had 164.9 million subordinate voting shares and 18.9 million multiple voting shares outstanding. All of the subordinate voting shares are freely transferable without restriction or further registration under the U.S. Securities Act, except for shares held by our affiliates (as defined in the U.S. Securities Act). Shares held by our affiliates include all of the multiple voting shares and 0.5 million subordinate voting shares held directly or indirectly by Onex. An affiliate may not sell shares in the United States unless the sale is registered under the U.S. Securities Act or an exemption from registration is available. Rule 144 of the U.S. Securities Act permits our affiliates to sell our shares in the United States subject to volume limitations and requirements relating to manner of sale, notice of sale and availability of current public information with respect to us.

In addition, as of February 15, 2013, there were 20.3 million subordinate voting shares reserved for issuance from treasury under our employee equity-based compensation plans and for director compensation, including 6.5 million subordinate voting shares underlying stock options (whether vested or unvested) and 2.4 million subordinate voting shares underlying restricted share units (all unvested). Moreover, pursuant to our articles of incorporation, we may issue an unlimited number of additional subordinate voting shares without further shareholder approval (subject to any required stock exchange approvals). As a result, a substantial number of our subordinate voting shares will be eligible for sale in the public market at various times in the future. The issuances and/or sale of such shares would dilute the holdings of our shareholders and could adversely affect the market price of the subordinate voting shares.

The market price of our stock may be volatile.

The stock market in recent years has experienced significant price and volume fluctuations that have affected the market price of our stock. These fluctuations have often been unrelated to the operating performance of our company. Factors such as fluctuations 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.

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 domiciled in the Province of Ontario, Canada and operate under the Business Corporations Act (Ontario). Our principal executive offices are located at 844 Don Mills Road, Toronto, Ontario, Canada M3C 1V7 and our telephone number is (416) 448-5800. Our website is www.celestica.com. Information on our website is not incorporated by reference in 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, which included members of our senior executive team at the time.

B. Recent Acquisitions

Certain information concerning our acquisition activities, including property, plant and equipment expenditures, and financing activities, currently in progress and in the last three fiscal years, is set forth in notes 3, 7, 8, 11, 12, 21 and 24 to the Consolidated Financial Statements in Item 18, and Item 5, "Operating and Financial Review and Prospects Management's Discussion and Analysis of Financial Condition and Results of Operations".

Certain information concerning our divestiture activities, including our restructurings, currently in progress and in the last three fiscal years, is set forth in notes 6 and 15 to the Consolidated Financial Statements in Item 18, and Item 5, "Operating and Financial Review and Prospects Management's Discussion and Analysis of Financial Condition and Results of Operations".

C. Business Overview

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

Our global operating network spans the Americas, Asia and Europe. We manage and operate facilities around the world with specialized supply chain management, including high-mix/low-volume manufacturing capabilities, to meet the specific market and customer product lifecycle requirements. In an effort to drive speed and flexibility for our customers, we conduct the majority of our business through centers of excellence strategically located throughout the world. We strive to align a network of preferred suppliers in close proximity to these centers in order to increase the velocity and flexibility of our supply chain, to deliver higher quality, shorter product lead times and reduced inventory.

We offer a range of services to our customers including design, 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 relatively small number of customers for a significant portion of our revenue. In the aggregate, our top 10 customers represented 67% of revenue in 2012 and our largest customer represented 12% of total revenue. In 2012, our revenue by end market was as follows: communications (35% of revenue); diversified (20% of revenue); consumer (18% of revenue); servers (15% of revenue); and storage (12% of revenue). The products and services we provide can be found in a wide variety of applications, including servers; networking, wireless and telecommunications equipment; storage devices; aerospace and defense electronics, such as in-flight entertainment and guidance systems; healthcare products for diagnostic imaging; audiovisual equipment; set top boxes; printer supplies; peripherals; semiconductor equipment; and a range of industrial and green technology electronic equipment, including solar panels and inverters.

We continue to invest to strengthen our position in the EMS industry, through investments in people, new service offerings and capabilities, and we will continue to improve our operational performance and global quality and information technology systems, software and tools to be recognized as one of the leading companies in the industry.

Our priorities include (i) profitable growth in our targeted business areas; (ii) continuous improvement in our financial results, including revenue growth, operating margins, returns on invested capital, and free cash flow; (iii) developing and enhancing profitable relationships with leading customers in our strategic target markets; and (iv) increasing and strengthening our capabilities in technologies and service offerings beyond our traditional areas of EMS expertise. We believe that success in these areas will continue to strengthen our competitive position and enhance customer satisfaction, and increase long-term shareholder value. We will continue to focus on expanding our revenue base in our higher-value-added services, such as design, engineering, supply chain management and after-market services, and to grow our business with new and existing customers in our enterprise computing, communications and diversified end markets.

Electronics Manufacturing Services Industry

Overview

Leading EMS companies operate global networks delivering worldwide supply chain management solutions. They offer end-to-end services for the entire product lifecycle, including design and engineering services, manufacturing and systems integration, fulfillment and after-market services. OEMs and other companies have increased their reliance on these services to become more efficient and to enhance their competitive positions. By outsourcing the manufacturing and related services, they are able to overcome their most pressing business challenges related to cost, asset utilization, quality, time-to-market, demand volatility, and rapidly changing technologies.

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

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

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

Improve Time-to-Market. Electronic products experience shorter lifecycles, requiring OEMs to continually reduce the time and cost of bringing products to market. OEMs can significantly improve product development cycles and enhance time-to-market by benefiting from the expertise and infrastructure of EMS providers, including 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, In