
FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16
under the Securities Exchange Act of 1934**

For the month of April, 2016

001-14832
(Commission File Number)

CELESTICA INC.

(Translation of registrant's name into English)

**844 Don Mills Road
Toronto, Ontario
Canada M3C 1V7
(416) 448-5800**

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F

Form 40-F

Indicate by check mark whether the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark whether the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

The information contained in Exhibits 99.1 and 99.2 of this Form 6-K is incorporated by reference into all effective registration statements (and into any prospectus that forms a part of any such registration statement) filed by Celestica Inc. with the Securities and Exchange Commission, and deemed to be a part thereof, from the date on which this report is furnished, to the extent not superseded by documents or reports subsequently filed or furnished by Celestica Inc. under the U.S. Securities Act of 1933, as amended, or the U.S. Securities Exchange Act of 1934, as amended. Celestica Inc. is voluntarily furnishing the certifications of its Chief Executive Officer and Chief Financial Officer pursuant to Sections 302 and 906 of the Sarbanes Oxley Act of 2002 as Exhibits 99.3, 99.4 and 99.5.

Furnished Herewith (and incorporated by reference herein)

<u>Exhibit No.</u>	<u>Description</u>
99.1	Management's Discussion and Analysis of Financial Condition and Results of Operations for the three months ended March 31, 2016
99.2	Celestica Inc.'s Unaudited Condensed Consolidated Financial Statements for the three months ended March 31, 2016 and accompanying notes thereto
99.3	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002
99.4	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002
99.5	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CELESTICA INC.

Date: April 22, 2016

By: /s/ Elizabeth L. DelBianco
Elizabeth L. DelBianco
Chief Legal and Administrative Officer

EXHIBIT INDEX

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CELESTICA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2016

The following Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with our 2015 audited consolidated financial statements and March 31, 2016 unaudited interim condensed 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 April 20, 2016 unless we indicate otherwise.

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

Forward-looking statements are provided for the purpose of assisting readers in understanding management's current expectations and plans relating to the future. Readers are cautioned that such information may not be appropriate for other purposes. Forward-looking statements are not guarantees of future performance and are subject to risks that could cause actual results to differ materially from conclusions, forecasts or projections expressed in such statements, including, among others, risks related to: our customers' ability to compete and succeed in the marketplace with the services we provide and the products we manufacture; price and other competitive factors generally affecting the EMS industry; managing our operations and our working capital performance during uncertain market and economic conditions; responding to changes in demand, rapidly evolving and changing technologies, and changes in our customers' business and outsourcing strategies, including the insourcing of programs; customer concentration and the challenges of diversifying our customer base and replacing revenue from completed or lost programs, or customer disengagements; changing commodity, material and component costs, as well as labor costs and conditions; disruptions to our operations, or those of our customers, component suppliers or logistics partners, including as a result of global or local events outside our control; retaining or expanding our business due to execution issues relating to the ramping of new or existing programs or new offerings; the incurrence of future impairment charges; recruiting or retaining skilled personnel; transitions associated with our new CEO, our Global Business Services initiative and other changes to our company's operating model; current or future litigation and/or governmental actions; successfully resolving commercial and operational challenges, and improving financial results in our semiconductor and solar businesses; delays in the delivery and availability of components, services and materials, including from new suppliers upon which we are dependent for certain components; non-performance by counterparties; our financial exposure to foreign currency volatility; our dependence on industries affected by rapid technological change; the variability of revenue and operating results; managing our global operations and supply chain; increasing income taxes, tax audits, and challenges of defending our tax positions, and obtaining, renewing or meeting the conditions of tax incentives and credits; completing restructuring actions, including achieving the anticipated benefits therefrom, and integrating any acquisitions; defects or deficiencies in our products, services or designs; computer viruses, malware, hacking attempts or outages that may disrupt our operations; any failure to adequately protect our intellectual property or the intellectual property of others; compliance with applicable laws, regulations and social responsibility initiatives; our having sufficient financial resources and working capital to fund currently anticipated financial obligations and to pursue desirable business opportunities; the potential that

conditions to closing the Toronto Real Property Transactions may not be satisfied on a timely basis or at all; and if the Toronto Real Property Transactions are completed, our ability to secure on commercially acceptable terms an alternate site for our existing Toronto manufacturing operations, and the costs, timing and/or execution of such relocation proving to be other than anticipated. The foregoing and other material risks and uncertainties are discussed in our public filings at www.sedar.com and www.sec.gov, including in this MD&A, our 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 our Annual Information Form filed with the Canadian Securities Administrators.

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

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

Overview

What Celestica does:

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

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

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

Although we supply products and services to over 100 customers, we depend upon a small number of customers for a substantial portion of our revenue. In the aggregate, our top 10 customers represented 65% of revenue for the first quarter of 2016 (first quarter of 2015 — 64%; full year 2015 — 67%).

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

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

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

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

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

Overview of business environment:

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

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

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

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

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

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

Recent developments:

Semiconductor business

Revenue from our semiconductor business for the first quarter of 2016 represented 6% (first quarter of 2015 — 7%) of our total revenue. The semiconductor market has historically been cyclical and impacted by, among other things, significant and often rapid changes in product demand, changes in customer requirements for new manufacturing capacity and technology transitions, significant expenditures for capital equipment and product development, and general economic conditions. Our semiconductor business has been negatively impacted by volatility in customer demand, the cost of our investments, operational inefficiencies, commercial challenges associated with a particular customer, and the costs, terms, timing and challenges of ramping new sites and programs. The negative impact of these factors resulted in the reduction of our long-term cash-flow projections used for our 2014 impairment assessment of our semiconductor business, and in the fourth quarter of 2014, we recorded a non-cash impairment charge of \$40.8 million against the goodwill of this business. In 2015, however, revenue and operating results from our semiconductor business improved compared to 2014, primarily as a result of improved customer demand (including from the customer noted above) and the impact of restructuring actions we implemented in this business during 2015 to reduce its cost structure and improve its margin performance. These factors had a positive effect on our long-term cash flow projections for this business, and as a result, we determined that no impairment to the assets of this business was required at the end of 2015. Although we have made significant progress in addressing the inefficiencies and challenges which have affected our semiconductor business, the negative factors above, combined with demand volatility in this market, may continue to adversely impact the revenue and profitability of this business, as well as our financial position and cash flows. Any failure to realize future revenues at an appropriate profit margin or failure to further improve the financial results of this business could result in additional impairment losses for our semiconductor business in future periods.

Expansion of our solar operations

Revenue from our solar business for the first quarter of 2016 represented approximately 5% of our total revenue (first quarter and full year 2015 — less than 5%). To support recent program wins in our solar business and anticipated growth in global demand for solar energy, we expanded our solar operations into Asia during 2015. In order to establish competitive solar energy manufacturing capabilities in Asia, we made investments, commencing in the second quarter of 2015, which included plant and capital equipment (including leased equipment), as well as cash advances to an Asia-based solar cell supplier (Solar Supplier) as part of an agreement executed to help secure our solar cell supply. The advances were used by the Solar Supplier to help finance the expansion of its manufacturing operations into Malaysia. See “Liquidity and Capital Resources — Liquidity — Cash requirements” below. Our solar business is dependent on the Solar Supplier to provide the majority of the solar cells required to support our global solar operations. During 2015, we also transitioned a portion of our solar operations from North America to Asia in support of our global solar expansion. The expansion of our solar business, however, has been slower than anticipated, and we incurred higher than expected costs in this business in 2015, primarily due to ramping delays and operational inefficiencies at our new solar site in Asia, as well as challenges experienced by some of our suppliers (including the Solar Supplier) in meeting our ramp requirements. These negative factors impacted our output in 2015 and adversely affected the operating results of our solar business for that year. While we made significant progress in addressing these operational challenges during the first quarter of 2016, and incurred lower than expected losses in this business in the quarter, we remain focused on resolving the outstanding issues and continue to anticipate completing the ramping of our solar operations by the end of the second quarter of 2016. However, any further delays in ramping or failure to resolve the remaining operational challenges in a timely manner could result in further losses for this business in future periods. In addition, because our solar programs typically have shorter program life cycles than our traditional EMS businesses, delays in winning new or replacement programs after the completion of our existing solar programs could lead to volatility in our solar revenue and margins, as well as our financial position and cash flows.

Status of Canadian class action lawsuit

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

Launch of a new normal course issuer bid

On February 22, 2016, the TSX accepted our notice to launch a new NCIB (2016 NCIB). The 2016 NCIB allows us to repurchase, at our discretion, until the earlier of February 23, 2017 or the completion of purchases thereunder, up to approximately 10.5 million subordinate voting shares (representing approximately 7.3% of our total outstanding subordinate voting and multiple voting shares at the time of launch) in the open market or as otherwise permitted, subject to the normal terms and limitations of such bids. The maximum number of subordinate voting shares we are permitted to repurchase for cancellation under the 2016 NCIB will be reduced by the number of subordinate voting shares purchased during the term of the 2016 NCIB to satisfy obligations under our stock-based compensation plans. During the first quarter of 2016, prior to the launch of the program share repurchase (PSR) described below, we paid \$4.3 million (including transaction fees) to repurchase and cancel 0.4 million subordinate voting shares under the 2016 NCIB at a weighted average price of \$10.73 per share. In March 2016, the TSX accepted our notice to amend the 2016 NCIB to permit the repurchase of our subordinate voting shares thereunder through one or more PSRs. In connection therewith, we paid \$30.0 million to a broker in March 2016 under a PSR for the right to receive a variable number of our subordinate voting shares upon such PSR’s completion in the second quarter of 2016.

Summary of Q1 2016

Our unaudited interim condensed 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 unaudited interim condensed consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary to present fairly our financial position as at March 31, 2016 and the financial performance, comprehensive income and cash flows for the three months ended March 31, 2016. See “Critical Accounting Policies and Estimates” below.

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

	Three months ended March 31	
	2015	2016
Revenue	\$ 1,298.5	\$ 1,353.3
Gross profit	91.4	92.8
Selling, general and administrative expenses (SG&A)	55.4	52.0
Other charges	0.3	1.7
Net earnings	\$ 19.7	\$ 25.6
Diluted earnings per share	\$ 0.11	\$ 0.18
	December 31	March 31
	2015	2016
Cash and cash equivalents	\$ 545.3	\$ 511.5
Borrowings under credit facility	262.5	296.3
Total assets	2,612.0	2,621.9

Revenue of \$1.35 billion for the first quarter of 2016 increased 4% compared to the first quarter of 2015. Compared to the same period in 2015, revenue dollars in the first quarter of 2016 from our diversified end market increased 24%, primarily due to new program ramps in our solar and aerospace and defense businesses, and revenue dollars in the first quarter of 2016 from our consumer end market (which comprised 3% of total revenue for the first quarter of 2016) increased 3%. These increases were offset in part by a 14% decrease in revenue in our servers end market and a 7% decrease in revenue in our storage end market in the first quarter of 2016 compared to the same period in 2015, primarily due in each case to customer demand softness in these end markets, especially late in the quarter. Revenue dollars from our communications end market in the first quarter of 2016 were flat compared to the first quarter of 2015, with growth from new programs offsetting a program completed in the second half of 2015. Communications and diversified continued to be our largest end markets, representing 38% and 34%, respectively, of total revenue for the first quarter of 2016.

Gross profit of \$92.8 million (6.9% of total revenue) for the first quarter of 2016 increased 2% compared to \$91.4 million (7.0% of total revenue) for the first quarter of 2015 despite the 4% increase in revenue. Although we made margin improvements in each of our semiconductor and solar businesses during the first quarter of 2016 as compared to the prior year period, these were partially offset by unfavorable changes in program mix in the first quarter of 2016. SG&A for the first quarter of 2016 of \$52.0 million decreased 6% compared to \$55.4 million for the same period in 2015, primarily driven by lower stock-based compensation expense (discussed below) and overall spending reductions. Net earnings for the first quarter of 2016 of \$25.6 million were \$5.9 million higher compared to the same period of 2015, primarily due to lower SG&A and income tax expense in the first quarter of 2016 (each discussed below).

Our cash and cash equivalents at March 31, 2016 were \$511.5 million (December 31, 2015 — \$545.3 million). Our non-IFRS free cash flow for the first quarter of 2016 was a negative \$34.8 million compared to positive \$22.0 million for the first quarter of 2015, primarily due to higher working capital requirements in the first quarter of 2016 (see “Liquidity and Capital Resources — Liquidity” below). We borrowed an additional \$40.0 million under the revolving portion of our credit facility during the first quarter of 2016 to fund repurchases and to pre-fund a PSR under our 2016 NCIB (described below). At March 31, 2016, we had an aggregate of \$296.3 million outstanding under our credit facility, including \$231.3 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), and \$60.0 million of accounts receivable (A/R) were sold under our A/R sales facility and de-recognized from our accounts receivable balance (December 31, 2015 — \$50.0 million of A/R sold).

We have repurchased subordinate voting shares in the open market and otherwise for cancellation in recent years pursuant to NCIBs, which allow us to repurchase a limited number of subordinate voting shares during a specified period, and from time to time pursuant to substantial issuer bids. As part of the NCIB process, we enter into Automatic Share Purchase Plans (ASPPs) with brokers from time to time, which allow such brokers to purchase our subordinate voting shares in the open market on our behalf, for cancellation under our NCIBs (including during any applicable trading blackout periods). In addition, we enter into 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 in consideration for the right to receive a variable number of subordinate voting shares upon such PSR’s completion. Under such PSRs, the price and

number of subordinate voting shares to be repurchased by us is generally determined based on a discount to the volume weighted-average market price of our subordinate voting shares during the term of the PSR, subject to certain terms and conditions. The subordinate voting shares repurchased under any PSR are cancelled upon completion of each PSR under the NCIB. The maximum number of subordinate voting shares we are permitted to repurchase for cancellation under each NCIB is reduced by the number of subordinate voting shares we purchase in the open market during the term of such NCIB to satisfy obligations under our stock-based compensation plans.

On February 22, 2016, the TSX accepted our notice to launch the 2016 NCIB, which allows us to repurchase, at our discretion, until the earlier of February 23, 2017 or the completion of purchases thereunder, up to approximately 10.5 million subordinate voting shares (representing approximately 7.3% of our total outstanding subordinate voting and multiple voting shares at the time of launch) in the open market or as otherwise permitted, subject to the normal terms and limitations of such bids. During the first quarter of 2016, prior to the launch of the PSR described below, we paid \$4.3 million (including transaction fees) to repurchase and cancel 0.4 million subordinate voting shares under the 2016 NCIB at a weighted average price of \$10.73 per share. In March 2016, the TSX accepted our notice to amend the 2016 NCIB to permit the repurchase of our subordinate voting shares thereunder through one or more PSRs. In connection therewith, we paid \$30.0 million to a broker in March 2016 under a PSR for the right to receive a variable number of our subordinate voting shares upon such PSR's completion in the second quarter of 2016. Based on the closing price of our subordinate voting shares on the NYSE on March 31, 2016, we expect to receive from the broker approximately 2.7 million subordinate voting shares upon such PSR's completion. We funded the share repurchases in the first quarter of 2016 and the PSR through borrowings under the revolving portion of our credit facility. During the first quarter of 2015, we repurchased and cancelled a total of 6.1 million subordinate voting shares under an NCIB that we launched in September 2014 (2014 NCIB), for \$69.8 million (including transaction fees) at a weighted average price of \$11.46 per share, including 4.4 million subordinate voting shares repurchased under a \$50.0 million PSR which we funded in December 2014. We completed the share repurchases under this PSR on January 28, 2015 at a weighted average price of \$11.38 per share. The 2014 NCIB expired in September 2015.

We made a scheduled quarterly principal repayment of \$6.2 million under the Term Loan during the first quarter of 2016. See "Liquidity and Capital Resources — Liquidity — Cash requirements" below.

Other performance indicators:

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

	1Q15	2Q15	3Q15	4Q15	1Q16
Cash cycle days:					
Days in A/R	47	42	43	40	45
Days in inventory	56	54	58	53	60
Days in A/P	(56)	(54)	(55)	(51)	(58)
Cash cycle days	<u>47</u>	<u>42</u>	<u>46</u>	<u>42</u>	<u>47</u>
Inventory turns	6.6x	6.7x	6.3x	6.9x	6.1x

	2015				2016
	March 31	June 30	September 30	December 31	March 31
Amount of A/R sold (in millions)	\$ 50.0	\$ 55.0	\$ 50.0	\$ 50.0	\$ 60.0

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

Cash cycle days for the first quarter of 2016 of 47 days were flat compared to the first quarter of 2015. The 4-day increase in days in inventory was offset by a 2-day decrease in days in A/R and a 2-day increase in days in A/P. Compared to the same period in 2015, the increase in inventory days was primarily driven by higher inventory levels at the end of the first quarter of 2016, required primarily to support new customer programs, as well as customer demand changes late in the quarter.

Compared to the fourth quarter of 2015, cash cycle days increased 5 days in the first quarter of 2016 as a result of a 5-day increase in days in A/R and a 7-day increase in days in inventory, offset in part by a 7-day increase in days in A/P. Compared to the previous quarter, the increase in days in A/R was primarily due to lower revenue levels in the first quarter of 2016 as well as the timing of sales and collections during the quarter; the increase in days in inventory was primarily due to demand changes late in the first quarter from certain of our customers; and the increase in days in A/P was primarily due to the timing of purchases and payments in the respective quarters.

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

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

Critical Accounting Policies and Estimates

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

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

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

We have also applied significant judgment in the following areas: the determination of our CGUs and whether events or changes in circumstances during the period are indicators that a review for impairment should be conducted, and the timing of the recognition of charges and recoveries associated with our restructuring actions. The near-term economic environment could also impact certain estimates necessary to prepare our consolidated financial statements, in particular, the estimates related to the recoverable amounts used in our impairment testing of our non-financial assets (see note 15(b) to our 2015 audited consolidated financial statements), and the discount rates applied to our net pension and non-pension post-employment benefit assets or liabilities (see note 18 to our 2015 audited consolidated financial statements). We did not identify any triggering event during the first quarter of 2016 that would indicate the carrying amount of our CGUs may not be recoverable.

Recent Accounting Developments:

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 if IFRS 15, *Revenue from Contracts*

with Customers, has also been applied. We do not intend to adopt this standard early and are currently evaluating the anticipated impact of adopting this standard on our consolidated financial statements.

Operating Results

Our annual and quarterly operating results, including 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 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; the rate at which, the costs associated with, and the execution of, new program ramps; volumes and the seasonality of our business; price competition; 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, rebalancing 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 will 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:

	Three months ended March 31	
	2015	2016
Revenue	100.0%	100.0%
Cost of sales	93.0	93.1
Gross profit	7.0	6.9
SG&A	4.3	3.8
Research and development costs	0.5	0.4
Amortization of intangible assets	0.2	0.2
Other charges	—	0.1
Finance costs	—	0.2
Earnings before income tax	2.0	2.2
Income tax expense	0.5	0.3
Net earnings	1.5%	1.9%

Revenue:

Revenue of \$1.35 billion for the first quarter of 2016 increased 4% compared to the same period in 2015. Compared to revenue from our end markets in the first quarter of 2015, revenue dollars from our diversified end market increased 24%, revenue dollars from our consumer end market increased 3%, revenue dollars from our servers end market decreased 14%, and revenue dollars from our storage end market decreased 7% in the first quarter of 2016, due to the factors discussed in “Summary of Q1 2016” above and the discussions below. Revenue dollars from our communications end market in the first quarter of 2016 were flat compared to the same period in 2015. Communications and diversified continued to be our largest end markets for the first quarter of 2016, representing 38% and 34%, respectively, of total revenue for the quarter.

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

	2015					2016	
	Q1	Q2	Q3	Q4	FY	Q1	
Communications	40%	40%	41%	38%	40%	38%	
Consumer	3%	3%	3%	3%	3%	3%	
Diversified	28%	28%	30%	30%	29%	34%	
Servers	11%	10%	8%	10%	10%	9%	
Storage	18%	19%	18%	19%	18%	16%	
Revenue (in billions)	\$ 1.30	\$ 1.42	\$ 1.41	\$ 1.51	\$ 5.64	\$ 1.35	

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 the end markets we serve. 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. Historically, revenue from our storage end market has increased in the fourth quarter of the year compared to the third quarter, and then decreased in the first quarter of the following year, reflecting the increase in customer demand we typically experience in this end market in the fourth quarter. In addition, we typically experience our lowest overall revenue levels during the first quarter of each year. There is no assurance that these patterns will continue.

To reduce the reliance on any one customer or end market, we continue to target new customers and services, including through our efforts to expand our diversified end market business (including our solar energy capabilities and our aerospace and defense business). Notwithstanding these expansion efforts, we remain dependent on our traditional end markets for a substantial portion of our revenue. We continue to experience slower growth rates and increased pricing pressures in our traditional markets.

Our communications end market represented 38% of total revenue for the first quarter of 2016, down from 40% of total revenue for the first quarter of 2015. Revenue dollars from this end market in the first quarter of 2016 were flat compared to the same period in 2015, with growth from new programs offsetting a program completed in the second half of 2015.

Our diversified end market represented 34% of total revenue for the first quarter of 2016, up from 28% of total revenue for the first quarter of 2015. Revenue dollars from our diversified end market increased 24% in the first quarter of 2016 compared to the same period in 2015, primarily driven by new program wins in our solar and aerospace and defense businesses.

Our storage end market represented 16% of total revenue for the first quarter of 2016, down from 18% of total revenue for the first quarter of 2015. In the first quarter of 2016, revenue dollars from our storage end market decreased 7% compared to the same period in 2015, primarily due to customer demand softness.

Our servers end market represented 9% of total revenue for the first quarter of 2016, compared to 11% of total revenue for the first quarter of 2015. Revenue dollars from our servers end market in the first quarter of 2016 decreased 14% compared to the same period in 2015, primarily due to customer demand softness.

Our consumer end market represented 3% of total revenue for each of the first quarter of 2016 and 2015. In the first quarter of 2016, revenue dollars from our consumer end market increased 3% compared to the same period in 2015, primarily due to improved customer demand in the first quarter of 2016.

For the first quarter of 2016, we had two customers that individually represented more than 10% of total revenue (first quarter of 2015 — two customers).

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.

In the aggregate, our top 10 customers represented 65% of total revenue for the first quarter of 2016 (first quarter of 2015 — 64%). 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.

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. 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. 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.

We believe that profitable revenue growth depends to a significant extent on increasing sales to existing customers for their current and future product generations and expanding the range of services we provide to these customers. We also continue to pursue new customers and acquisition opportunities to expand our end market penetration, to diversify our end market mix, and to enhance and add new technologies and capabilities to our offerings.

Gross profit:

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

	Three months ended March 31			
	2015		2016	
Gross profit (in millions)	\$	91.4	\$	92.8
Gross margin		7.0%		6.9%

Compared to the first quarter of 2015, gross profit for the first quarter of 2016 increased 2% despite a 4% increase in revenue. Although we made margin improvements in each of our semiconductor and solar businesses during the first quarter of 2016 as compared to the prior year period, these were partially offset by unfavorable changes in program mix in the first quarter of 2016.

In general, in addition to fluctuations in revenue, 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 available to eligible employees, 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 the first quarter of 2016 of \$52.0 million (3.8% of total revenue) decreased 6% compared to \$55.4 million (4.3% of total revenue) for the same period in 2015, primarily due to lower stock-based compensation expense (discussed below) and overall spending reductions in the first quarter of 2016.

Stock-based compensation:

Our employee stock-based compensation expense, which excludes DSU expense, varies each period, and includes mark-to-market adjustments for any awards we settle in cash and any plan amendments. 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. See the table in the section captioned “Non-IFRS Measures” below for the respective amounts of employee stock-based compensation expense recorded in each of cost of sales and SG&A for the first quarter of 2016 and 2015.

	Three months ended March 31	
	2015	2016
Employee stock-based compensation (in millions)	\$ 11.5	\$ 9.4

Compared to the first quarter of 2015, our employee stock-based compensation expense for the first quarter of 2016 decreased by \$2.1 million, primarily due to lower amounts recorded in the first quarter of 2016 in connection with the accelerated recognition of stock-based compensation expense for employees eligible for retirement.

Management currently intends to settle all outstanding share unit awards with subordinate voting shares purchased in the open market by a trustee 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 the first quarter of 2016, we also recorded DSU expense of \$0.5 million (first quarter of 2015 — \$0.5 million) through SG&A.

Other charges:

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

	Three months ended March 31	
	2015	2016
Restructuring charges	\$ 0.3	\$ 2.0
Other	—	(0.3)
	\$ 0.3	\$ 1.7

We perform ongoing evaluations of our business, operational efficiency and cost structure, and implement restructuring actions as we deem necessary. As a result of our most recent evaluation, during the first quarter of 2016, we recorded restructuring charges of \$2.0 million for employee termination costs. Our restructuring provision at March 31, 2016 was \$2.1 million (December 31, 2015 — \$10.7 million) comprised primarily of employee termination costs which we currently expect to pay by the end of 2016. All cash outlays have been, and the balance is expected to be, funded with cash on hand.

We expect to implement additional restructuring actions in 2016 to further streamline our business and improve margin performance. We may also propose additional future restructuring actions or divestitures as a result of changes in our business (including as a result of transitions associated with our new CEO, our Global Business Services initiative and/or other changes to

our operating model), the marketplace and/or our exit from less profitable, under-performing, non-core or non-strategic operations. These activities could adversely impact our operating and financial results, and require us to make changes to our business and internal processes and controls. 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. We cannot currently anticipate the timing and range of charges, or whether we will take these actions at all.

Income taxes:

We had a net income tax expense of \$3.6 million on earnings before tax of \$29.2 million for the first quarter of 2016, compared to a net income tax expense of \$7.0 million on earnings before tax of \$26.7 million for the first quarter of 2015.

Current income taxes for the first quarter of 2016 consisted primarily of tax expense recorded in jurisdictions with current taxes payable. Deferred income taxes for the first quarter of 2016 consisted primarily of net deferred income tax for changes in temporary differences in various jurisdictions. Our net income tax expense of \$3.6 million for the first quarter of 2016 was favorably impacted by taxable foreign exchange benefits arising from the strengthening of the Malaysian ringgit and Chinese renminbi relative to the U.S. dollar (our functional currency). 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.

Current income taxes for the first quarter of 2015 consisted primarily of tax expense recorded in jurisdictions with current taxes payable and tax benefits arising from changes to our provisions related to certain tax uncertainties. Deferred income taxes for the first quarter of 2015 consisted primarily of net deferred income tax expense for changes in temporary differences in various jurisdictions.

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 the mix and volume of business in lower 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, 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.

Our tax incentives currently consist of tax holidays for the profits of our Thailand and Laos subsidiaries, as well as tax incentives for dividend withholding taxes for these subsidiaries. These tax incentives are subject to certain conditions with which we intend to comply, and expire between 2019 and 2028. We were granted tax incentives for our Malaysian subsidiaries from 2010 to 2014, however, we did not benefit from any Malaysian tax incentives in 2015 or the first quarter of 2016 (see discussion below).

Our Malaysian income tax incentives expired as of the end of 2014. While negotiations for Malaysian incentives are ongoing, we currently expect to be granted new pioneer incentives for only limited portions of our Malaysian business. As a result, we recorded Malaysian income taxes at full statutory tax rates in 2015 and the first quarter of 2016. As we continue to negotiate tax incentives with Malaysian authorities, 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, which after a certain number of years transition to a 50% income tax exemption. Upon expiry of each of the incentives, taxable profits associated with such expired tax incentives become fully taxable. Our remaining Thailand tax incentives expire between 2019 and 2028.

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.

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 globally by various tax authorities of historical information 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.

Tax authorities in Canada have taken the position that income reported by one of our Canadian subsidiaries should have been materially higher in 2001 and 2002 and materially lower in 2003 and 2004 as a result of certain inter-company transactions, and have imposed limitations on benefits associated with favorable adjustments arising from inter-company transactions and other adjustments. We have appealed this decision with the Canadian tax authorities and have sought assistance from the relevant Competent Authorities in resolving the transfer pricing matter under relevant treaty principles. We could be required to provide security up to an estimated maximum range of \$20 million to \$25 million Canadian dollars (approximately \$15 million to \$19 million at period-end exchange rates) in the form of letters of credit to the tax authorities in connection with the transfer pricing appeal; however, we do not believe that such security will be required. If the tax authorities are successful with their challenge, we estimate that the maximum net impact for additional income taxes and interest charges associated with the proposed limitations of the favorable adjustments could be approximately \$41 million Canadian dollars (approximately \$32 million at period-end exchange rates). Resolution of these matters may occur during the remainder of 2016.

Canadian tax authorities have taken the position that certain interest amounts deducted by one of our Canadian entities in 2002 through 2004 on historical debt instruments should be re-characterized as capital losses. If the tax authorities are successful with their challenge, we estimate that the maximum net impact for additional income taxes and interest charges could be approximately \$33 million Canadian dollars (approximately \$26 million at period-end exchange rates). We have appealed this decision with the Canadian tax authorities and have provided the requisite security to the tax authorities, including a letter of credit in January 2014 of \$5 million Canadian dollars (approximately \$4 million at period-end exchange rates), in addition to amounts previously on account, in order to proceed with the appeal. We believe that our asserted position is appropriate and would be sustained upon full examination by the tax authorities and, if necessary, upon consideration by the judicial courts. Our position is supported by our Canadian legal tax advisors.

In the first quarter of 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 along with the relevant tax costs related to the foreign exchange gains, which we had since accrued.

The successful pursuit of the assertions made by any taxing authority related to the above noted tax audits or others could result in our owing significant amounts of tax, interest and possibly penalties. We believe we have substantial defenses to the asserted positions and have adequately accrued for any probable potential adverse tax impact. However, there can be no assurance as to the final resolution of these claims and any resulting proceedings. If these claims and any ensuing proceedings are determined adversely to us, the amounts we may be required to pay could be material, and could be in excess of amounts currently accrued.

Acquisitions:

We may, at any time, be engaged in ongoing discussions with respect to possible acquisitions that could expand our service offerings, increase our penetration in various industries, establish strategic relationships with new or existing customers and/or enhance our global supply chain network. In order to enhance our competitiveness and expand our revenue base or the services we offer our customers, we may also look to grow our services or capabilities beyond our traditional areas of EMS expertise. 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 an acquisition will be successfully integrated or will generate the returns we expect. We did not complete any acquisitions in 2015 or the first quarter of 2016.

Liquidity and Capital Resources

Liquidity

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

	December 31 2015	March 31 2016
Cash and cash equivalents	\$ 545.3	\$ 511.5
Borrowings under credit facility	262.5	296.3
	Three months ended March 31	
	2015	2016
Cash provided by (used in) operating activities	\$ 35.1	\$ (18.3)
Cash used in investing activities	(12.6)	(12.9)
Cash used in financing activities	(18.3)	(2.6)
Changes in non-cash working capital items (included in operating activities above):		
A/R	\$ 49.2	\$ 26.6
Inventories	(34.9)	(61.3)
Other current assets	(2.1)	4.9
A/P, accrued and other current liabilities and provisions	(24.1)	(31.2)
Working capital changes	<u>\$ (11.9)</u>	<u>\$ (61.0)</u>

Cash provided by (used in) operating activities:

In the first quarter of 2016, we used \$18.3 million of cash in operating activities compared to \$35.1 million of cash we generated from operating activities in the first quarter of 2015. The decrease as compared to the first quarter of 2015 was primarily due to higher working capital requirements in the first quarter of 2016, reflecting the timing of collections of certain customer receivables, as well as higher inventory levels in the first quarter of 2016 as compared to the prior year period, required primarily to support new customer programs and also due to customer demand changes late in the quarter.

Cash used in investing activities:

Our capital expenditures for the first quarter of 2016 were \$16.1 million (first quarter of 2015 — \$12.7 million). The capital expenditures were incurred primarily to enhance our manufacturing capabilities in various geographies and to support new customer programs. 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 March 2015, we entered into a supply agreement with the Solar Supplier that includes a commitment by us to provide cash advances of up to \$31 million (reduced from previous estimates of up to \$36 million) to help secure our solar cell supply. The advances were used by the Solar Supplier to help finance the expansion of its manufacturing operations into Malaysia. This supply agreement has an initial term of three and a half years, and is subject to automatic renewal for successive one-year terms unless either party provides a notice of intent not to renew. We believe that advances are typical for the solar industry. All such cash advances are scheduled to be repaid by this supplier through quarterly repayment installments, which commenced in the fourth quarter of 2015 and are to continue through the end of 2017. We have advanced a total of \$29.5 million under this agreement. We received a cash repayment of \$3.0 million from this supplier in the first quarter of 2016.

Cash used in financing activities:

During 2015, we amended our credit facility to extend its maturity to May 2020, and to add a non-revolving \$250.0 million term loan (Term Loan) to the facility, to fund a portion of our share repurchases under our \$350.0 million substantial issuer bid that we completed in the second quarter of 2015 (SIB). We repurchased and cancelled approximately 26.3 million subordinate voting shares pursuant to the SIB, which we funded with the \$250.0 million Term Loan, \$25.0 million drawn on the revolving portion of our amended credit facility (Revolving Facility) and \$75.0 million of cash. Details of the SIB are described in note 12 to our 2015 audited consolidated financial statements. During the first quarter of 2016, we made a scheduled quarterly principal repayment of \$6.2 million under the Term Loan. We also borrowed an additional \$40.0 million under the Revolving Facility in the first quarter of 2016 in order to fund the share repurchases under our 2016 NCIB, and to pre-fund the \$30.0 million PSR discussed above. We currently intend to repay this \$40.0 million within the next twelve months.

During the first quarter of 2016, we paid finance costs of \$2.3 million.

Prior to the launch of the \$30.0 million PSR, we paid \$4.3 million (including transaction fees) in the first quarter of 2016 to repurchase and cancel 0.4 million subordinate voting shares under our 2016 NCIB at a weighted average price of \$10.73 per share.

During the first quarter of 2016, we made a scheduled quarterly payment of \$1.3 million under a finance lease agreement (see “Cash requirements” below). The payments under this agreement will reduce our non-IFRS free cash flow during the 5-year lease term.

Free cash flow (non-IFRS):

Our non-IFRS free cash flow of negative \$34.8 million for the first quarter of 2016 decreased \$56.8 million compared to the first quarter of 2015, primarily due to higher working capital requirements in the first quarter of 2016 (discussed above). See the section captioned “Non-IFRS Measures” below for a discussion of, among other items, the definition and components of non-IFRS free cash flow, as well as a reconciliation of this measure to cash provided by operating activities measured under IFRS.

Cash requirements:

We maintain a revolving credit facility, uncommitted bank overdraft facilities, and an A/R sales 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 credit facility or sell A/R through our A/R sales program. 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 accounts receivable sales program is 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 this program. See “Capital Resources” below.

We had \$511.5 million in cash and cash equivalents at March 31, 2016 (December 31, 2015 — \$545.3 million).

We believe that the Term Loan was a more cost-effective method of financing a portion of the SIB than pursuing the use of the accordion feature of our Revolving Facility to increase its maximum limit, as the principal repayments under the Term Loan do not subject us to unused line fees. We do not believe that such indebtedness, or the aggregate costs of the SIB, will have a material adverse impact on our liquidity, our results of operations or financial condition. We are required to make quarterly principal payments on the Term Loan of \$6.25 million. We anticipate that interest on the Term Loan, based on current interest rates, will be approximately \$2 million per quarter. 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, remaining 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 currently anticipated working capital needs and planned capital spending (including the commitments described elsewhere herein).

We may issue debt, convertible debt or equity securities in the future to fund operations or make acquisitions. Equity or convertible debt securities 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 these debt securities could impose restrictions on our operations. The pricing of any such securities would be subject to market conditions at the time of issuance.

As at March 31, 2016, a significant portion of our cash and cash equivalents was held by foreign subsidiaries outside of Canada. Although substantially all of the cash and cash equivalents held outside of Canada can be repatriated, a significant portion may be subject to withholding taxes under current tax laws. 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), these restrictions have not had a material impact on our ability to meet our cash obligations. We have not recognized deferred tax liabilities for cash and cash equivalents held by certain subsidiaries related to unremitted earnings that are considered indefinitely reinvested outside of Canada and that we do not intend to repatriate in the foreseeable future.

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 2016 to be approximately 1.0% to 1.5% of revenue, and expect to fund these expenditures from cash on hand and through the financing agreements below.

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 from one of our aerospace and defense customers. We have no further purchase obligations under this agreement.

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 global solar expansion plan described in "Overview" above, we entered into a five-year agreement in April 2015 to lease manufacturing equipment valued at up to \$20.0 million to be used in our solar operations in Asia. In connection with this agreement, as of March 31, 2016, we have recorded leased assets of \$19.0 million for equipment we received through such date. At March 31, 2016, our lease obligations were \$17.9 million, consisting of short-term obligations of \$4.0 million and long-term obligations of \$13.9 million. We currently anticipate receiving the remainder of the equipment in the second quarter of 2016. This agreement requires quarterly lease payments, which commenced in January 2016 (a \$1.3 million lease payment was made in the first quarter of 2016).

In March 2015, we entered into a supply agreement with the Solar Supplier which includes a commitment by us to provide cash advances of up to \$31.0 million (reduced from previous estimates of up to \$36.0 million) in order to secure our solar cell supply. We have advanced a total of \$29.5 million under this agreement. All such cash advances are scheduled to be repaid by this supplier through quarterly repayment installments, which commenced in the fourth quarter of 2015 and are to continue through the end of 2017. We received a cash repayment of \$3.0 million in each of the fourth quarter of 2015 and the first quarter of 2016. The payment of these advances, as well as repayments thereof, are included in our calculation of non-IFRS free cash flow.

On July 23, 2015, we entered into the Property Sale Agreement to sell our real property located in Toronto, Ontario, which includes the site of our corporate headquarters and our Toronto manufacturing operations. Subject to completion of the transaction, the purchase price is approximately \$137 million Canadian dollars (\$105.7 million at period-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 and is currently anticipated to occur within approximately two years from the execution date of the Property Sale Agreement, the Property Purchaser is to pay us an additional \$53.5 million Canadian dollars in cash (\$41.3 million at period-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 (\$52.8 million at period-end exchange rates) to be registered on title to the property and having a term of two years from the closing date. There can be no assurance that this transaction will be completed within the expected time period, or at all. As part of the transaction, we have agreed, upon closing, to enter into an interim lease for our existing corporate head office and manufacturing premises on a portion of the real estate for an initial two-year term on a rent-free basis (subject to certain payments including taxes and utilities), which is to be followed by a longer-term lease for our new corporate headquarters, on commercially reasonable arm's-length terms. Should the transaction close, we expect to be able to find a replacement site on commercially acceptable terms for our Toronto manufacturing operations, but there can be no assurance that this will be the case. Should the transaction close, we expect to incur significant transition costs to transfer the manufacturing operations to an alternate location and to prepare and customize the new site to meet our manufacturing needs. The costs, timing, and execution of this relocation 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.

Historically, we have funded our share repurchases under our NCIBs from cash on hand, and under our SIBs from a combination of indebtedness and cash on hand. In the first quarter of 2016, however, we funded our share repurchases under the 2016 NCIB and the \$30.0 million PSR thereunder from borrowings under our Revolving Facility.

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 in the accounts 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.

Commencing in 2007, securities class action lawsuits were brought against us and certain of our officers, a director and Onex in the United States District Court for the Southern District of New York, alleging violations of United States federal securities laws. In 2015, a settlement of the consolidated class action lawsuits was reached and the District Court granted final approval of the settlement in July 2015. The time for any appeal from the approval of the settlement had expired without any appeal having been filed. The settlement payment to the plaintiffs was paid by our liability insurance carriers in 2015.

In 2007, parallel class proceedings were initiated against us and our former Chief Executive and Chief Financial Officers in the Ontario Superior Court of Justice. These proceedings are not affected by the settlement discussed above. On October 15, 2012, the Ontario Superior Court of Justice granted limited aspects of the defendants' motion to strike, but dismissed the defendants' limitation period argument. The defendants' appeal of the limitation period issue was dismissed on February 3, 2014 when the Court of Appeal for Ontario overturned its own prior decision on the limitation period issue. On August 7, 2014, the defendants were granted leave to appeal the decision to the Supreme Court of Canada, together with two other cases that dealt with the limitation period issue. The Supreme Court of Canada heard the appeal on February 9, 2015. The Supreme Court of Canada released its decision on December 4, 2015, allowing the defendants' appeal and holding that the statutory claims of the plaintiff and the class under the Ontario Securities Act are barred by the applicable limitation period. In an earlier decision dated February 14, 2014, the Ontario Superior Court of Justice denied certification of the plaintiffs' common law claims. No party appealed that decision. We will be seeking our costs of the Supreme Court proceedings and the proceedings below. It is too early to assess the quantum of costs that may be awarded, if any. The Canadian plaintiff has initiated a second motion to certify its common law claims, even though those claims were denied certification in February 2014. We believe that the February 2014 decision is final and binding and that any attempt to re-open certification of the common law claims is without merit. There can be no assurance that the outcome of the lawsuit will be favorable to us or that it will not have a material adverse impact on our financial position or liquidity. In addition, we may incur substantial litigation expenses in defending the claim. As the matter is ongoing, we cannot predict its duration or the resources required.

See "Income Taxes" above for a description of certain tax audits and positions, and contingencies associated therewith.

Capital Resources

Our capital resources consist of cash, short-term investments, access to a revolving credit facility, intraday and overnight bank overdraft facilities, an A/R sales program and capital stock. We regularly review our borrowing capacity and make adjustments, as permitted, for changes in economic conditions and changes in our requirements. 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 March 31, 2016, we had cash and cash equivalents of \$511.5 million (December 31, 2015 — \$545.3 million), of which approximately 80% was cash and 20% consisted of cash equivalents. 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. Our current portfolio consists of bank deposits and certain money market funds that primarily hold U.S. government securities. A default by the U.S. government on such securities could have a material adverse effect on our results of operations and financial condition.

The majority of our cash and cash equivalents is held with financial institutions each of which had at March 31, 2016 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 amended our \$300.0 million revolving credit facility in 2015 to add the \$250.0 million non-revolving Term Loan to fund a portion of our share repurchases under the SIB. 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 permitted to be repaid prior thereto, and are required to be repaid under specified circumstance). 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 in order to fund share repurchases under our 2016 NCIB and to pre-fund a \$30.0 million PSR thereunder. We currently intend to repay this \$40.0 million within the next twelve months. During the first quarter of 2016, we incurred \$1.7 million in interest expense under this 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 March 31, 2016, there was \$296.3 million outstanding under this facility (December 31, 2015 — \$262.5 million outstanding), and we were in compliance with all restrictive and financial covenants thereunder. The amended facility is scheduled to mature in May 2020.

At March 31, 2016, we had \$29.1 million (December 31, 2015 — \$27.2 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 March 31, 2016, we had \$11.5 million (December 31, 2015 — \$8.5 million) of such letters of credit and surety bonds outstanding.

At March 31, 2016, we had \$205.9 million available under the Revolving Facility for future borrowings. We also have a total of \$70.0 million of uncommitted bank overdraft facilities available for intraday and overnight operating requirements. There were no amounts outstanding under these overdraft facilities at March 31, 2016 or December 31, 2015.

We have an accounts receivable sales agreement to sell up to \$250.0 million 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 BBB+ or above at March 31, 2016. The term of this agreement has been annually extended in recent years for additional one-year periods (and is currently extendable to November 2017 under specified circumstances), but may be terminated earlier as provided in the agreement. At March 31, 2016, \$60.0 million (December 31, 2015 — \$50.0 million) of A/R were sold under this facility, 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.

The timing and the amounts we borrow and repay under our revolving credit and overdraft facilities, or sell under our A/R sales 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, inasmuch 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 March 31, 2016, 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 2015. 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. To achieve these objectives, we maintain a portfolio consisting of a variety of securities, including bank deposits and certain money market funds that primarily hold U.S. government securities.

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 forward exchange contracts to hedge against our cash flows and significant balance sheet exposures in certain foreign currencies. 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 March 31, 2016, we had forward exchange contracts 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	\$ 302.2	\$ 0.74	13	\$ 7.9
Thai baht	97.5	0.03	12	(0.7)
Malaysian ringgit	70.3	0.24	12	3.8
Mexican peso	34.9	0.06	12	(0.4)
British pound	130.4	1.46	4	1.9
Chinese renminbi	83.3	0.15	12	(0.7)
Euro	55.2	1.11	12	(0.5)
Romanian leu	20.6	0.25	12	0.4
Singapore dollar	20.3	0.71	12	0.7
Other	12.6		8	—
Total	\$ 827.3			\$ 12.4

These contracts, which generally extend for periods of up to 15 months, will expire by the end of the second quarter of 2017. The fair value of the outstanding contracts at March 31, 2016 was a net unrealized gain of \$12.4 million (December 31, 2015 — net unrealized loss of \$24.0 million). The unrealized gains or losses are a result of fluctuations in foreign exchange rates between the date the currency forward 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 cash receipts, cash payments and balance sheet exposures 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, generally for periods up to 15 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.

Interest rate risk: Borrowings under our credit facility bear interest at specified rates, plus specified margins (as described above). Our borrowings under this facility, which at March 31, 2016 totalled \$296.3 million, 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 \$296.3 million at March 31, 2016, by \$3 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 low. 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. To attempt to mitigate the risk of financial loss from defaults under our foreign currency forward exchange contracts, our contracts are held by counterparty financial institutions, each of which had at March 31, 2016 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 had a Standard and Poor's short-term rating of A-2 or above and a long-term rating of BBB+ or above at March 31, 2016. Each financial institution from which annuities have been purchased for the defined benefit component of a pension plan had an A.M. Best or Standard and Poor's long-term rating of A or above at March 31, 2016. We also provide unsecured credit to our customers in the normal course of business. We attempt to mitigate this credit risk by monitoring our customers' financial condition and performing ongoing credit evaluations as appropriate. We consider credit risk in determining our allowance for doubtful accounts and we believe our allowances 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 20 to our 2015 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, is also one of our directors, and holds, directly or indirectly, 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. 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. Onex receives compensation under the Services Agreement in an amount equal to \$200,000 per year, payable in DSUs in equal quarterly installments in arrears.

Also see discussion in "Cash requirements" above for a description of the Property Sale Agreement (and expected lease arrangements) with respect to our real property located in Toronto, Ontario (which includes our corporate headquarters and our Toronto manufacturing operations), for a purchase price of approximately \$137.0 million Canadian dollars (\$105.7 million at period-end exchange rates), exclusive of applicable taxes and subject to certain adjustments. 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.

Given the interest in the transaction by a related party, our board of directors formed a Special Committee, consisting solely of independent directors, which retained its own independent legal counsel, to review and supervise a competitive bidding process. The Special Committee, after considering, among other factors, that the purchase price for the property exceeded the valuation provided by an independent appraiser, determined that the Property Purchaser's transaction terms were in the best interests of Celestica. Our board of directors, at a meeting where Mr. Schwartz was not present, approved the transaction based on the unanimous recommendation of the Special Committee.

Outstanding Share Data

As of April 15, 2016, we had 124,442,972 outstanding subordinate voting shares and 18,946,368 outstanding multiple voting shares. As of such date, we also had outstanding 2,447,092 stock options, 4,243,353 outstanding RSUs, 6,118,874 outstanding PSUs (assuming a maximum payout), and 1,326,806 outstanding DSUs, each such option or unit entitling 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 Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2016. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2016, 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, as required by paragraph (d) of U.S. Exchange Act Rule 13a-15 or 15d-15, that occurred during the quarter ended March 31, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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, 2015. 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, 2015. This report appears on page F-2 of such Annual Report.

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

	2014			2015				2016
	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter
Revenue	\$ 1,471.5	\$ 1,423.1	\$ 1,424.3	\$ 1,298.5	\$ 1,417.3	\$ 1,408.5	\$ 1,514.9	\$ 1,353.3
Gross profit %	7.1%	7.4%	7.3%	7.0%	6.9%	7.2%	6.7%	6.9%
Net earnings (loss)	\$ 40.9	\$ 34.4	\$ (4.4)	\$ 19.7	\$ 24.2	\$ 10.9	\$ 12.1	\$ 25.6
Weighted average # of basic shares	179.6	177.5	175.6	172.3	164.9	143.0	143.1	143.5
Weighted average # of diluted shares	182.0	179.6	175.6	174.3	166.9	145.3	145.2	145.2
# of shares outstanding	178.8	176.7	174.6	169.2	142.9	143.0	143.5	143.3
IFRS earnings (loss) per share:								
basic	\$ 0.23	\$ 0.19	\$ (0.03)	\$ 0.11	\$ 0.15	\$ 0.08	\$ 0.08	\$ 0.18
diluted	\$ 0.22	\$ 0.19	\$ (0.03)	\$ 0.11	\$ 0.14	\$ 0.08	\$ 0.08	\$ 0.18

Comparability quarter-to-quarter:

The quarterly data reflects the following: the fourth quarters of 2014 and 2015 include the results of our annual impairment testing of goodwill, intangible assets and property, plant and equipment; and the second, third and fourth quarters of 2015, and the first quarter of 2016 were impacted by our restructuring actions. The amounts attributable to these items vary from quarter-to-quarter.

First quarter 2016 compared to fourth quarter 2015:

Revenue of \$1.35 billion for the first quarter of 2016 decreased 11% compared to the fourth quarter of 2015. Compared to the previous quarter, revenue dollars from our storage end market decreased 27% sequentially, primarily due to stronger than expected customer demand in this end market in the previous quarter, as well as seasonal demand reductions we typically experience in this end market in the first quarter of a year compared to the fourth quarter of the previous year; revenue dollars from our servers end market decreased 23% sequentially, primarily due to stronger than expected demand in this end market in the previous quarter; and revenue dollars from our communications end market decreased 9% sequentially, primarily due to demand reductions in the first quarter of 2016 compared to the previous quarter. These decreases were offset in part by a 2% sequential revenue increase in our diversified end market, primarily driven by increased solar output in the first quarter of 2016 compared to the previous quarter. Revenue dollars from our consumer end market remained flat in the first quarter of 2016 compared to the previous quarter. Despite the 11% sequential revenue decrease, gross margin for the first quarter of 2016 improved to 6.9% of total revenue compared to 6.7% of total revenue for the fourth quarter of 2015, primarily driven by margin improvement in our solar operations in the first quarter of 2016 as we continued to resolve its operational challenges. Net earnings for the first quarter of 2016 of \$25.6 million were \$13.5 million higher compared to the previous quarter, primarily due to the \$12.2 million impairment charge we recorded in the fourth quarter of 2015 as part of our annual impairment assessment.

First quarter 2016 actual compared to guidance:

IFRS net earnings per share for the first quarter of 2016 were \$0.18 on a diluted basis. IFRS net earnings per share for the first quarter of 2016 reflected an aggregate charge of \$0.09 (pre-tax) per share comprised of employee stock-based compensation expense, amortization of intangible assets (excluding computer software) and restructuring charges, which is within the guidance we provided on January 27, 2016 of an aggregate charge of between \$0.05 to \$0.10 per share for these items.

On January 27, 2016, we provided the following guidance for the first quarter of 2016:

	Q1 2016	
	Guidance	Actual
IFRS revenue (in billions)	\$ 1.3 to \$1.4	\$ 1.35
Non-IFRS adjusted net earnings per share (diluted)	\$ 0.19 to \$0.25	\$ 0.26

For the first quarter of 2016, revenue of \$1.35 billion was within our guidance range. Our non-IFRS adjusted net earnings per share of \$0.26 per share for the first quarter of 2016 was above our guidance range, and included a \$0.02 per share net income tax benefit primarily related to the favorable impact of taxable foreign exchange (our guidance for the quarter excluded any impact from taxable foreign exchange).

Our guidance includes a range for adjusted net earnings per share (which is a non-IFRS measure and is defined below). Management considers non-IFRS adjusted net earnings per share 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 and cash resources generated from our business in a more consistent manner (by excluding specific items that we do not consider to be reflective of our ongoing operating results) and provide an analysis of operating results using the same measures our chief operating decision makers use to measure performance. The non-IFRS financial measures that can be reconciled to IFRS 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), our non-IFRS measures consist of: 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 net earnings per share, net invested capital, ROIC, and free cash flow. Adjusted EBIAT, net invested capital, ROIC and free cash flow 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 (most significantly restructuring charges), the write-down of goodwill, intangible assets and property, plant and equipment, and gains or losses related to the repurchase of our securities, net of tax adjustments and significant deferred tax write-offs 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 where a comparable IFRS measure exists.

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 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, and acquisition-related transaction costs. 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.

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.

Gains or losses related to the repurchase of our securities are excluded, as we believe that these gains or losses do not reflect core operating performance and vary significantly among those of our competitors who also generally exclude these gains or losses in assessing operating performance.

Significant deferred tax write-offs or recoveries associated with restructuring actions or restructured sites are excluded, as we believe that these write-offs 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, where a comparable IFRS measure exists (in millions, except percentages and per share amounts):

	Three months ended March 31			
	2015		2016	
		% of revenue		% of revenue
IFRS revenue	\$ 1,298.5		\$ 1,353.3	
IFRS gross profit	\$ 91.4	7.0%	\$ 92.8	6.9%
Employee stock-based compensation expense	4.4		4.5	
Non-IFRS adjusted gross profit	<u>\$ 95.8</u>	7.4%	<u>\$ 97.3</u>	7.2%
IFRS SG&A	\$ 55.4	4.3%	\$ 52.0	3.8%
Employee stock-based compensation expense	(7.1)		(4.9)	
Non-IFRS adjusted SG&A	<u>\$ 48.3</u>	3.7%	<u>\$ 47.1</u>	3.5%
IFRS earnings before income taxes	\$ 26.7		\$ 29.2	
Finance costs	0.5		2.2	
Employee stock-based compensation expense	11.5		9.4	
Amortization of intangible assets (excluding computer software)	1.5		1.5	
Restructuring and other charges (recoveries)	0.3		1.7	
Non-IFRS operating earnings (adjusted EBIAT) ⁽¹⁾	<u>\$ 40.5</u>	3.1%	<u>\$ 44.0</u>	3.3%
IFRS net earnings	\$ 19.7	1.5%	\$ 25.6	1.9%
Employee stock-based compensation expense	11.5		9.4	
Amortization of intangible assets (excluding computer software)	1.5		1.5	
Restructuring and other charges (recoveries)	0.3		1.7	
Adjustments for taxes ⁽²⁾	—		(0.6)	
Non-IFRS adjusted net earnings	<u>\$ 33.0</u>		<u>\$ 37.6</u>	
Diluted EPS				
Weighted average # of shares (in millions)	174.3		145.2	
IFRS earnings per share	\$ 0.11		\$ 0.18	
Non-IFRS adjusted earnings per share	\$ 0.19		\$ 0.26	
# of shares outstanding at period end (in millions)	169.2		143.3	
IFRS cash provided by (used in) operations	\$ 35.1		\$ (18.3)	
Purchase of property, plant and equipment, net of sales proceeds	(12.6)		(15.9)	
Finance lease payment	—		(1.3)	
Repayments from solar supplier	—		3.0	
Finance costs paid	(0.5)		(2.3)	
Non-IFRS free cash flow ⁽³⁾	<u>\$ 22.0</u>		<u>\$ (34.8)</u>	
Non-IFRS ROIC % ⁽⁴⁾	16.8 %		17.4 %	

IFRS earnings per share and non-IFRS adjusted earnings per share for the first quarter of 2016 were positively impacted by the reduction of our weighted average number of shares outstanding as a result of our share repurchases and cancellations in 2015 pursuant to our \$350.0 million substantial issuer bid completed in June 2015, as well as our previous NCIB that expired in September 2015.

(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 and accounts receivable sales 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, net of recoveries, gains or losses related to the repurchase of our securities, and impairment charges.

(2) The adjustments for taxes, as applicable, represent the tax effects on the non-IFRS adjustments and significant deferred tax write-offs or recoveries associated with restructuring actions or restructured sites that management considers not to be reflective of our core operating performance.

(3) Management uses non-IFRS free cash flow as a measure, in addition to IFRS cash flow from 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 or used in operating activities after the purchase of property, plant and equipment (net of proceeds from the sale of certain surplus equipment and property), finance lease payments, advances to (or repayments from) a solar supplier, and finance costs paid.

(4) Management uses non-IFRS 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 ROIC measure reflects non-IFRS operating earnings, working capital management and asset utilization. Non-IFRS ROIC is calculated by dividing non-IFRS adjusted EBIAT by average non-IFRS net invested capital. Net invested capital (calculated in the table below) is a non-IFRS measure and 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 non-IFRS net invested capital for the quarter. There is no comparable measure under IFRS.

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

	Three months ended March 31	
	2015	2016
Non-IFRS operating earnings (adjusted EBIAT)	\$ 40.5	\$ 44.0
Multiplier	4	4
Annualized non-IFRS adjusted EBIAT	<u>\$ 162.0</u>	<u>\$ 176.0</u>
Average non-IFRS net invested capital for the period	\$ 964.8	\$ 1,009.5
Non-IFRS ROIC % (1)	16.8%	17.4%

	December 31	March 31
	2015	2016
Non-IFRS net invested capital consists of:		
Total assets	\$ 2,612.0	\$ 2,621.9
Less: cash	545.3	511.5
Less: accounts payable, accrued and other current liabilities, provisions and income taxes payable	1,104.3	1,053.8
Non-IFRS net invested capital at period end ⁽¹⁾	<u>\$ 962.4</u>	<u>\$ 1,056.6</u>

	December 31	March 31
	2014	2015
Non-IFRS net invested capital consists of:		
Total assets	\$ 2,583.6	\$ 2,579.3
Less: cash	565.0	569.2
Less: accounts payable, accrued and other current liabilities, provisions and income taxes payable	1,054.3	1,044.8
Non-IFRS net invested capital at period end ⁽¹⁾	<u>\$ 964.3</u>	<u>\$ 965.3</u>

(1) Management uses non-IFRS 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 ROIC measure reflects non-IFRS operating earnings, working capital management and asset utilization. Non-IFRS ROIC is calculated by dividing non-IFRS adjusted EBIAT by average non-IFRS net invested capital. Net invested capital is a non-IFRS measure and 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 non-IFRS net invested capital for the quarter. There is no comparable measure under IFRS.

CELESTICA INC.
CONDENSED CONSOLIDATED BALANCE SHEET
(in millions of U.S. dollars)
(unaudited)

	December 31 2015	March 31 2016
Assets		
Current assets:		
Cash and cash equivalents (note 12)	\$ 545.3	\$ 511.5
Accounts receivable (note 5)	681.0	654.4
Inventories (note 6)	794.6	855.9
Income taxes receivable	10.4	11.6
Assets classified as held-for-sale	27.4	27.4
Other current assets (note 4)	65.3	77.1
Total current assets	2,124.0	2,137.9
Property, plant and equipment (note 7)	314.6	313.8
Goodwill	19.5	19.5
Intangible assets	30.4	28.8
Deferred income taxes	40.1	38.1
Other non-current assets (note 4)	83.4	83.8
Total assets	\$ 2,612.0	\$ 2,621.9
Liabilities and Equity		
Current liabilities:		
Current portion of borrowings under credit facility and finance lease obligations (notes 4 & 8)	\$ 29.1	\$ 69.0
Accounts payable	801.4	809.0
Accrued and other current liabilities	257.7	207.3
Income taxes payable	25.0	25.6
Current portion of provisions	20.2	11.9
Total current liabilities	1,133.4	1,122.8
Long-term portion of borrowings under credit facility and finance lease obligations (notes 4 & 8)	250.6	243.5
Pension and non-pension post-employment benefit obligations	83.2	87.8
Provisions and other non-current liabilities	28.0	29.8
Deferred income taxes (note 11)	25.8	20.1
Total liabilities	1,521.0	1,504.0
Equity:		
Capital stock (note 9)	2,093.9	2,089.9
Treasury stock (note 9)	(31.4)	(4.4)
Contributed surplus	846.7	800.8
Deficit	(1,785.4)	(1,759.8)
Accumulated other comprehensive loss	(32.8)	(8.6)
Total equity	1,091.0	1,117.9
Total liabilities and equity	\$ 2,612.0	\$ 2,621.9

Contingencies (note 13)

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

CELESTICA INC.

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(in millions of U.S. dollars, except per share amounts)
(unaudited)

	Three months ended March 31	
	2015	2016
Revenue	\$ 1,298.5	\$ 1,353.3
Cost of sales (note 6)	1,207.1	1,260.5
Gross profit	91.4	92.8
Selling, general and administrative expenses (SG&A)	55.4	52.0
Research and development	6.2	5.4
Amortization of intangible assets	2.3	2.3
Other charges (note 10)	0.3	1.7
Earnings from operations	27.2	31.4
Finance costs	0.5	2.2
Earnings before income taxes	26.7	29.2
Income tax expense (recovery) (note 11):		
Current	5.4	9.0
Deferred	1.6	(5.4)
	7.0	3.6
Net earnings for the period	\$ 19.7	\$ 25.6
Basic earnings per share	\$ 0.11	\$ 0.18
Diluted earnings per share	\$ 0.11	\$ 0.18
Shares used in computing per share amounts (in millions):		
Basic	172.3	143.5
Diluted	174.3	145.2

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

CELESTICA INC.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(in millions of U.S. dollars)
(unaudited)

	Three months ended March 31	
	2015	2016
Net earnings for the period	\$ 19.7	\$ 25.6
Other comprehensive income (loss), net of tax:		
Items that may be reclassified to net earnings:		
Currency translation differences for foreign operations	(2.0)	0.8
Changes from derivatives designated as hedges	(5.5)	23.4
Total comprehensive income for the period	<u>\$ 12.2</u>	<u>\$ 49.8</u>

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

CELESTICA INC.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(in millions of U.S. dollars)
(unaudited)

	Capital stock (note 9)	Treasury stock (note 9)	Contributed surplus	Deficit	Accumulated other comprehensive loss (a)	Total equity
Balance — January 1, 2015	\$ 2,609.5	\$ (21.4)	\$ 677.1	\$ (1,845.3)	\$ (25.0)	\$ 1,394.9
Capital transactions (note 9):						
Issuance of capital stock	6.6	—	(4.6)	—	—	2.0
Repurchase of capital stock for cancellation	(99.2)	—	79.4	—	—	(19.8)
Stock-based compensation and other	—	15.7	(3.7)	—	—	12.0
Total comprehensive income:						
Net earnings for the period	—	—	—	19.7	—	19.7
Other comprehensive loss, net of tax:						
Currency translation differences for foreign operations	—	—	—	—	(2.0)	(2.0)
Changes from derivatives designated as hedges	—	—	—	—	(5.5)	(5.5)
Balance — March 31, 2015	<u>\$ 2,516.9</u>	<u>\$ (5.7)</u>	<u>\$ 748.2</u>	<u>\$ (1,825.6)</u>	<u>\$ (32.5)</u>	<u>\$ 1,401.3</u>
Balance — January 1, 2016	\$ 2,093.9	\$ (31.4)	\$ 846.7	\$ (1,785.4)	\$ (32.8)	\$ 1,091.0
Capital transactions (note 9):						
Issuance of capital stock	2.5	—	(1.0)	—	—	1.5
Repurchase of capital stock for cancellation (b)	(6.5)	—	(27.8)	—	—	(34.3)
Stock-based compensation and other	—	27.0	(17.1)	—	—	9.9
Total comprehensive income:						
Net earnings for the period	—	—	—	25.6	—	25.6
Other comprehensive income (loss), net of tax:						
Currency translation differences for foreign operations	—	—	—	—	0.8	0.8
Changes from derivatives designated as hedges	—	—	—	—	23.4	23.4
Balance — March 31, 2016	<u>\$ 2,089.9</u>	<u>\$ (4.4)</u>	<u>\$ 800.8</u>	<u>\$ (1,759.8)</u>	<u>\$ (8.6)</u>	<u>\$ 1,117.9</u>

(a) Accumulated other comprehensive loss is net of tax.

(b) Includes \$30.0 prepayment under a program share repurchase. See note 9.

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

CELESTICA INC.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(in millions of U.S. dollars)
(unaudited)

	Three months ended March 31	
	2015	2016
Cash provided by (used in):		
Operating activities:		
Net earnings for the period	\$ 19.7	\$ 25.6
Adjustments to net earnings for items not affecting cash:		
Depreciation and amortization	16.6	17.8
Equity-settled stock-based compensation	11.5	9.4
Finance costs	0.5	2.2
Income tax expense	7.0	3.6
Other	(4.7)	(7.3)
Changes in non-cash working capital items:		
Accounts receivable	49.2	26.6
Inventories	(34.9)	(61.3)
Other current assets	(2.1)	4.9
Accounts payable, accrued and other current liabilities and provisions	(24.1)	(31.2)
Non-cash working capital changes	(11.9)	(61.0)
Net income taxes paid	(3.6)	(8.6)
Net cash provided by (used in) operating activities	35.1	(18.3)
Investing activities:		
Purchase of computer software and property, plant and equipment	(12.7)	(16.1)
Proceeds from sale of assets	0.1	0.2
Repayments from solar supplier (note 4)	—	3.0
Net cash used in investing activities	(12.6)	(12.9)
Financing activities:		
Borrowings under credit facility (note 8)	—	40.0
Repayments under credit facility (note 8)	—	(6.2)
Finance lease payment (note 4)	—	(1.3)
Issuance of capital stock (note 9)	2.0	1.5
Repurchase of capital stock for cancellation (note 9)	(19.8)	(34.3)
Finance costs paid	(0.5)	(2.3)
Net cash used in financing activities	(18.3)	(2.6)
Net increase (decrease) in cash and cash equivalents	4.2	(33.8)
Cash and cash equivalents, beginning of period	565.0	545.3
Cash and cash equivalents, end of period	<u>\$ 569.2</u>	<u>\$ 511.5</u>

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

CELESTICA INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in millions of U.S. dollars, except percentages and per share amounts)
(unaudited)

1. REPORTING ENTITY

Celestica Inc. (Celestica) is incorporated in Canada with its corporate headquarters located at 844 Don Mills Road, Toronto, Ontario, M3C 1V7. Celestica's subordinate voting shares are listed on the Toronto Stock Exchange (TSX) and the New York Stock Exchange (NYSE).

Celestica delivers innovative supply chain solutions globally to customers in the Communications (comprised of enterprise communications and telecommunications), Consumer, Diversified (comprised of aerospace and defense, industrial, healthcare, energy, and semiconductor equipment), Servers, and Storage end markets. Our product lifecycle offerings include a range of services to our customers including design and development, engineering services, supply chain management, new product introduction, component sourcing, electronics manufacturing, assembly and test, complex mechanical assembly, systems integration, precision machining, order fulfillment, logistics and after-market repair and return services.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance:

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (IASB) and the accounting policies we have adopted in accordance with International Financial Reporting Standards (IFRS). These unaudited interim condensed consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary to present fairly our financial position as at March 31, 2016 and our financial performance, comprehensive income and cash flows for the three months ended March 31, 2016.

These unaudited interim condensed consolidated financial statements were authorized for issuance by our board of directors on April 20, 2016.

Functional and presentation currency:

These unaudited interim condensed consolidated financial statements are presented in U.S. dollars, which is also our functional currency. Unless otherwise noted, all financial information is presented in millions of U.S. dollars (except percentages and per share amounts).

Use of estimates and judgments:

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

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

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

CELESTICA INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in millions of U.S. dollars, except percentages and per share amounts)
(unaudited)

We have also applied significant judgment in the following areas: the determination of our CGUs and whether events or changes in circumstances during the 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.

These unaudited interim condensed consolidated financial statements are based upon accounting policies and estimates consistent with those used and described in note 2 of our 2015 annual audited consolidated financial statements. There have been no material changes to our significant accounting estimates and assumptions or the judgments affecting the application of such estimates and assumptions during the first quarter of 2016 from those described in the notes to our 2015 annual audited consolidated financial statements. The near-term economic environment could also impact certain estimates necessary to prepare our consolidated financial statements, in particular, the estimates related to the recoverable amounts used in our impairment testing of our non-financial assets, and the discount rates applied to our net pension and non-pension post-employment benefit assets or liabilities.

Recently issued accounting pronouncements:

In January 2016, the IASB issued IFRS 16, *Leases*, 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 if IFRS 15, *Revenue from Contracts with Customers*, has also been applied. We do not intend to adopt this standard early and are currently evaluating the anticipated impact of adopting this standard on our consolidated financial statements.

3. SEGMENT AND CUSTOMER REPORTING

End markets:

The following table indicates revenue by end market as a percentage of total revenue for the periods indicated. Our revenue fluctuates from period-to-period depending on numerous factors, including but not limited to: the mix and complexity of the products or services we provide, the extent, timing and rate of new program wins, and the execution of our programs and services, follow-on business, program completions or losses, the phasing in or out of programs, the success in the marketplace of our customers' products, changes in customer demand, and the seasonality of our business. We expect that the pace of technological change, the frequency of customers transferring business among EMS competitors, the level of outsourcing by customers (including decisions to insource), and the dynamics of the global economy will also continue to impact our business from period-to-period.

	Three months ended March 31	
	2015	2016
Communications	40%	38%
Consumer	3%	3%
Diversified	28%	34%
Servers	11%	9%
Storage	18%	16%

Customers:

For the first quarter of 2016, we had two customers that individually represented more than 10% of total revenue (first quarter of 2015 — two customers).

4. SOLAR INVESTMENTS

In March 2015, we entered into a supply agreement with an Asia-based solar cell supplier (Solar Supplier), that includes a commitment by us to provide cash advances of up to \$31.0 (reduced from previous estimates of up to \$36.0) to help secure our solar cell supply. The advances were used by the Solar Supplier to help finance the expansion of its manufacturing operations into Malaysia. This supply agreement has an initial term of three and a half years, and is subject to automatic renewal for successive one-year terms unless either party provides a notice of intent not to renew. All such cash advances are scheduled to be repaid by this

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supplier through quarterly repayment installments, which commenced in the fourth quarter of 2015 and are to continue through the end of 2017. As of March 31, 2016, we have advanced a total of \$29.5 under this agreement. We received cash repayments of \$3.0 from the supplier in each of the fourth quarter of 2015 and the first quarter of 2016. As of March 31, 2016, \$23.5 remains recoverable from this supplier, which we have recorded as other current assets of \$16.2 and other non-current assets of \$7.3 on our consolidated balance sheet.

In April 2015, we entered into a five-year agreement to lease manufacturing equipment valued at up to \$20.0 to be used in our solar operations in Asia. Our quarterly lease payments commenced in January 2016, pursuant to which we made a scheduled repayment of \$1.3 in the first quarter of 2016. As of March 31, 2016, our related lease obligations totaled \$17.9, consisting of short-term obligations of \$4.0 and long-term obligations of \$13.9. This lease qualifies as a finance lease under IFRS. See note 8.

5. ACCOUNTS RECEIVABLE

We have an accounts receivable sales agreement to sell up to \$250.0 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 long-term rating of BBB+ or above and a short-term rating of A-2 or above at March 31, 2016. The term of this agreement has been annually extended in recent years for additional one-year periods (and is currently extendable to November 2017 under specified circumstances), but may be terminated earlier as provided in the agreement. At March 31, 2016, \$60.0 of accounts receivable were sold under this facility (December 31, 2015 — \$50.0) and de-recognized from our accounts receivable balance. The accounts receivable sold are removed from our consolidated balance sheet and the proceeds are reflected as cash provided by operating activities in our consolidated statement of cash flows. Upon sale, we assign the rights to the accounts receivable to the banks. We continue to collect cash from our customers and remit the cash to the banks when collected. We pay interest and fees which we record in finance costs in our consolidated statement of operations.

6. INVENTORIES

We record our inventory provisions and valuation recoveries in cost of sales. We record inventory provisions to reflect write-downs in the value of our inventory to net realizable value, and valuation recoveries primarily to reflect realized gains on the disposition of inventory previously written down to net realizable value. We recorded net inventory provisions of \$0.6 for the first quarter of 2016 (first quarter of 2015 — net inventory provisions of \$1.7). We regularly review our estimates and assumptions used to value our inventory through analysis of historical performance.

7. SALE AGREEMENT WITH RESPECT TO REAL PROPERTY IN TORONTO

On July 23, 2015, we entered into an agreement of purchase and sale (the Property Sale Agreement) to sell our real property located in Toronto, Ontario, which includes the site of our corporate headquarters and our Toronto manufacturing operations, to a special purpose entity (the Property Purchaser) to be formed by a consortium of three real estate developers. If the transaction is completed, the purchase price will be approximately \$137 million Canadian dollars (\$105.7 at period-end exchange rates), exclusive of applicable taxes and subject to adjustment in accordance with the terms of the Property Sale Agreement, including for certain density bonuses and other adjustments in accordance with usual commercial practice.

Upon execution of the Property Sale Agreement, the Property Purchaser paid us a cash deposit of \$15 million Canadian dollars (\$11.2 at the then-prevailing exchange rate), which is non-refundable except in limited circumstances. Upon closing, which is subject to various conditions, including municipal approvals and is currently anticipated to occur within approximately two years from the execution date of the Property Sale Agreement, the Property Purchaser is to pay us an additional \$53.5 million Canadian dollars in cash (\$41.3 at period-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 (\$52.8 at period-end exchange rates) to be registered on title to the property and having a term of two years from the closing date. We have recorded the cash deposit in other non-current liabilities on our consolidated balance sheet and as cash provided by investing activities in our consolidated statement of cash flows.

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

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

8. CREDIT FACILITIES AND LONG-TERM DEBT

In order to fund a portion of our share repurchases under the \$350.0 substantial issuer bid (the SIB) completed in June 2015, we amended our \$300.0 revolving credit facility in May 2015 to add a non-revolving term loan component (Term Loan) in the amount of \$250.0 (in addition to the previous revolving credit limit of \$300.0), and to extend the maturity of the entire facility from October 2018 to May 2020. We funded the SIB using the proceeds of the Term Loan, \$25.0 drawn on the revolving portion of the credit facility (Revolving Facility), and \$75.0 of available cash on hand. During the first quarter of 2016, we made a scheduled quarterly principal repayment of \$6.2 under the Term Loan. We also borrowed an additional \$40.0 under the Revolving Facility in the first quarter of 2016 to fund the repurchase of shares and to pre-fund the PSR under our new normal course issuer bid launched in February 2016 (2016 NCIB). At March 31, 2016, \$296.3 was outstanding under the credit facility, comprised of \$65.0 under the Revolving Facility and \$231.3 under the Term Loan (December 31, 2015 — \$262.5 outstanding, comprised of \$25.0 under the Revolving Facility and \$237.5 under the Term Loan).

The Revolving Facility has an accordion feature that allows us to increase the \$300.0 limit by an additional \$150.0 on an uncommitted basis upon satisfaction of certain terms and conditions. The Revolving Facility also includes a \$25.0 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. The Term Loan bears interest at LIBOR plus a margin ranging from 2.0% to 3.0% based on the same financial ratio.

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.

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The following table sets forth our borrowings under the Revolving Facility, Term Loan, and finance lease obligations as of the period-ends indicated:

	December 31 2015	March 31 2016
Borrowings under the Revolving Facility	\$ 25.0	\$ 65.0
Term Loan	237.5	231.3
Total borrowings under credit facility	262.5	296.3
Less: unamortized debt issuance costs	(1.8)	(1.7)
Finance lease obligations (note 4)	19.0	17.9
	<u>\$ 279.7</u>	<u>\$ 312.5</u>
Comprised of:		
Current portion of borrowings under credit facility and finance lease obligations	\$ 29.1	\$ 69.0
Long-term portion of borrowings under credit facility and finance lease obligations	250.6	243.5
	<u>\$ 279.7</u>	<u>\$ 312.5</u>

We incurred debt issuance costs of \$2.1 in 2015 in connection with the amendment of the credit facility, which we recorded as an offset against the proceeds from the Term Loan. Such costs are deferred and amortized over the term of the Term Loan using the effective interest rate method.

The \$65.0 outstanding under the Revolving Facility is due upon maturity of the facility in May 2020. We are permitted to repay amounts prior to maturity. We currently intend to repay \$40.0 of the amount outstanding under the Revolving Facility within the next twelve months. Prepayments are also required under certain circumstances.

The Term Loan requires quarterly principal repayments until its maturity. At March 31, 2016, the remaining mandatory principal repayments of the Term Loan were as follows:

Years ending December 31	Amount
2016	\$ 18.8
2017	25.0
2018	25.0
2019	25.0
2020 (to maturity in May 2020)	137.5
	<u>\$ 231.3</u>

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.

At March 31, 2016, we were in compliance with all restrictive and financial covenants under the credit facility. Commitment fees paid in the first quarter of 2016 were \$0.3 (first quarter of 2015 — \$0.3). At March 31, 2016, we had \$29.1 (December 31, 2015 — \$27.2) outstanding in letters of credit under this facility.

We also have a total of \$70.0 of uncommitted bank overdraft facilities available for intraday and overnight operating requirements. There were no amounts outstanding under these overdraft facilities at March 31, 2016 or December 31, 2015.

The amounts we borrow and repay under these facilities can vary significantly from month-to-month depending upon our working capital and other cash requirements.

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9. CAPITAL STOCK

Share repurchases:

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

On September 9, 2014, the TSX accepted our notice to launch a new NCIB (the 2014 NCIB), which allowed us to repurchase, at our discretion, until the earlier of September 10, 2015 or the completion of purchases thereunder, up to approximately 10.3 million subordinate voting shares (representing approximately 5.8% of our total subordinate voting and multiple voting shares outstanding at the time of launch) in the open market or as otherwise permitted, subject to the normal terms and limitations of such bids. During the first quarter of 2015, we repurchased and cancelled a total of 6.1 million subordinate voting shares for \$69.8 (including transaction fees) under the 2014 NCIB, at a weighted average price of \$11.46 per share, including 4.4 million subordinate voting shares repurchased under a \$50.0 PSR which we funded in December 2014. We completed the share repurchases under this PSR on January 28, 2015 at a weighted average price of \$11.38 per share. The 2014 NCIB expired in September 2015.

On February 22, 2016, the TSX accepted our notice to launch the 2016 NCIB, which allows us to repurchase, at our discretion, until the earlier of February 23, 2017 or the completion of purchases thereunder, up to approximately 10.5 million subordinate voting shares (representing approximately 7.3% of our total outstanding subordinate voting and multiple voting shares at the time of launch) in the open market or as otherwise permitted, subject to the normal terms and limitations of such bids. The maximum number of subordinate voting shares we are permitted to repurchase for cancellation under the 2016 NCIB will be reduced by the number of subordinate voting shares purchased during the term of the 2016 NCIB to satisfy obligations under our stock-based compensation plans. During the first quarter of 2016, prior to the launch of the PSR described below, we paid \$4.3 (including transaction fees) to repurchase and cancel 0.4 million subordinate voting shares under the 2016 NCIB at a weighted average price of \$10.73 per share. In March 2016, the TSX accepted our notice to amend the 2016 NCIB to permit the repurchase of our subordinate voting shares thereunder through one or more PSRs. In connection therewith, we paid \$30.0 to a broker in March 2016 under a PSR for the right to receive a variable number of our subordinate voting shares upon such PSR's completion in the second quarter of 2016.

Stock-based compensation:

We grant share unit awards to employees under our stock-based compensation plans. Under one of our stock-based compensation plans, 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. Under our other stock-based compensation plan, we may (at the time of grant) authorize the grantee to settle awards in either cash or subordinate voting shares (absent such permitted election, grants will be settled in subordinate voting shares, which we may purchase in the open market or issue from treasury, subject to certain limits). From time-to-time, we pay cash for the purchase by a trustee of subordinate voting shares in the open market to satisfy the delivery of shares upon vesting of awards. For accounting purposes, we classify these shares as treasury stock until they are delivered pursuant to the plans. We did not purchase any subordinate voting shares in the open market to satisfy the delivery requirements under our stock-based compensation plans during the first quarter of 2016 or 2015. At March 31, 2016, the trustee held 0.4 million subordinate voting shares for this purpose, having a value of \$4.4 (December 31, 2015 — 2.8 million subordinate voting shares with a value of \$31.4).

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The following table outlines the activities for stock-based awards granted to employees (activities for deferred share units (DSUs) issued to directors are excluded) for the three months ended March 31, 2016:

Number of awards (in millions)	Options	RSUs	PSUs (i)
Outstanding at December 31, 2015	2.9	3.5	5.5
Granted (i)	—	2.0	2.5
Exercised or settled (ii)	(0.2)	(1.2)	(1.2)
Forfeited or expired	(0.2)	(0.1)	(0.7)
Outstanding at March 31, 2016	2.5	4.2	6.1
Weighted-average grant date fair value of options and share units granted	N/A	\$ 9.08	\$ 9.56

- (i) During the first quarter of 2016, we granted 2.5 million (first quarter of 2015 — 2.1 million) performance share units (PSUs), of which 60% vest based on the achievement of a market performance condition tied to Total Shareholder Return (TSR), and the balance vest based on a non-market performance condition based on pre-determined financial targets. See note 2(n) of our 2015 annual audited consolidated financial statements for a description of TSR. We estimated the grant date fair value of the TSR-based PSUs using a Monte Carlo simulation model. The grant date fair value of the non-TSR-based PSUs is determined by the market value of our subordinate voting shares at the time of grant and may be adjusted in subsequent periods to reflect a change in the estimated level of achievement related to the applicable performance condition. We expect to settle these awards with subordinate voting shares purchased in the open market by a trustee or issued from treasury. The number of PSUs that will actually vest will vary from 0 to the amount set forth in the table above as outstanding at March 31, 2016 (representing the maximum potential payout) depending on the level of achievement of the relevant performance condition.
- (ii) During the first quarter of 2016, we received cash proceeds of \$1.5 (first quarter of 2015 — \$2.0) relating to the exercise of vested employee stock options.

At March 31, 2016, 1.3 million (December 31, 2015 — 1.3 million) DSUs were outstanding.

For the first quarter of 2016, we recorded aggregate employee stock-based compensation expense (excluding DSU expense) through cost of sales and SG&A of \$9.4 (first quarter of 2015 — \$11.5), and DSU expense (recorded through SG&A) of \$0.5 (first quarter of 2015 — \$0.5). Employee stock-based compensation expense varies from period-to-period. The portion of such expense that relates to a non-market performance condition varies depending on the level of achievement of pre-determined financial targets.

10. OTHER CHARGES

	Three months ended March 31	
	2015	2016
Restructuring (a)	\$ 0.3	\$ 2.0
Other	—	(0.3)
	\$ 0.3	\$ 1.7

(a) *Restructuring:*

We perform ongoing evaluations of our business, operational efficiency and cost structure, and implement restructuring actions as we deem necessary. As a result of our most recent evaluation, during the first quarter of 2016, we recorded restructuring charges of \$2.0 for employee termination costs. Our restructuring provision at March 31, 2016 was \$2.1 (December 31, 2015 — \$10.7) comprised primarily of employee termination costs.

The recognition of restructuring charges requires us to make certain judgments and estimates regarding the nature, timing and amounts associated with our restructuring actions. Our major assumptions include the number of employees to be terminated and the

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timing of such terminations, the measurement of termination costs, the timing and amount of lease obligations, and the timing of disposition and estimated fair values of assets available for sale, as applicable. We develop detailed plans and record termination costs for employees informed of their termination. We engage independent brokers to determine the estimated fair values less costs to sell for assets we no longer use and which are available for sale. We recognize an impairment loss for assets whose carrying amount exceeds their respective fair values less costs to sell as determined by such independent brokers. We also record adjustments to reflect actual proceeds on disposition of these assets. At the end of each reporting period, we evaluate the appropriateness of our restructuring charges and balances. Further adjustments may be required to reflect actual experience or changes in estimates.

11. INCOME TAXES

Our effective income tax rate can vary significantly quarter-to-quarter for various reasons, including the mix and volume of business in lower tax jurisdictions within Europe and Asia, in jurisdictions with tax holidays and tax incentives, and in jurisdictions for which no deferred income tax assets have been recognized because management believed it was not probable that future taxable profit would be available against which tax losses and deductible temporary differences could be utilized. Our effective income tax rate can also vary due to the impact of restructuring charges, foreign exchange fluctuations, operating losses, and changes in our provisions related to tax uncertainties.

Our net income tax expense of \$3.6 for the first quarter of 2016 was favorably impacted by the effects of taxable foreign exchange arising from the strengthening of the Malaysian ringgit and Chinese renminbi relative to the U.S. dollar (our functional currency).

See note 13 regarding income tax contingencies.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Our financial assets are comprised primarily of cash and cash equivalents, accounts receivable, outstanding cash advances receivable and derivatives used for hedging purposes. Our financial liabilities are comprised primarily of accounts payable, certain accrued and other liabilities and provisions, the Term Loan, borrowings under the Revolving Facility, and derivatives. We record the majority of our financial liabilities at amortized cost except for derivative liabilities, which we measure at fair value. We classify our term deposits as held-to-maturity. We record our short-term investments in money market funds at fair value, with changes recognized in our consolidated statement of operations. The carrying value of the Term Loan approximates its fair value as it bears interest at a variable market rate. The carrying value of the outstanding cash advances receivable from the Solar Supplier approximates their fair value due to their relatively short term to maturity. We classify the financial assets and liabilities that we measure at fair value based on the inputs used to determine fair value at the measurement date. See note 20 of our 2015 annual audited consolidated financial statements for details of the input levels used and our fair value hierarchy at December 31, 2015. There have been no significant changes to the source of our inputs since December 31, 2015.

Cash and cash equivalents are comprised of the following:

	December 31 2015	March 31 2016
Cash	\$ 476.1	\$ 410.8
Cash equivalents	69.2	100.7
	<u>\$ 545.3</u>	<u>\$ 511.5</u>

Our current portfolio consists of bank deposits and certain money market funds that primarily hold U.S. government securities. The majority of our cash and cash equivalents is held with financial institutions each of which had at March 31, 2016 a Standard and Poor's short-term rating of A-1 or above.

Interest rate risk:

Borrowings under our credit facility bear interest at specified rates, plus specified margins. See note 8. Our borrowings under this facility, which at March 31, 2016 totalled \$296.3 (December 31, 2015 — \$262.5), expose us to interest rate risk due to potential increases to the specified rates and margins.

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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, generally for periods up to 15 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.

Our major currency exposures at March 31, 2016 are summarized in U.S. dollar equivalents in the following table. We have included in this table only those items that we classify as financial assets or liabilities and which were denominated in non-functional currencies. In accordance with the IFRS financial instruments standard, we have excluded items such as pension and non-pension post-employment benefits and income taxes from the table below. The local currency amounts have been converted to U.S. dollar equivalents using spot rates at March 31, 2016.

	Canadian dollar	Euro	Thai baht
Cash and cash equivalents	\$ 13.2	\$ 6.2	\$ 0.7
Accounts receivable and other financial assets	3.6	37.6	0.2
Accounts payable and certain accrued and other liabilities and provisions	(34.3)	(25.4)	(14.7)
Net financial assets (liabilities)	<u>\$ (17.5)</u>	<u>\$ 18.4</u>	<u>\$ (13.8)</u>

Foreign currency risk sensitivity analysis:

The financial impact of a one-percentage point strengthening or weakening of the following currencies against the U.S. dollar for our financial instruments denominated in such non-functional currencies is summarized in the following table as at March 31, 2016. The financial instruments impacted by a change in exchange rates include our exposures to the above financial assets or liabilities denominated in non-functional currencies and our foreign exchange forward contracts.

	Canadian dollar	Euro	Thai baht
	Increase (decrease)		
1% Strengthening			
Net earnings	\$ 1.1	\$ (0.1)	\$ 0.1
Other comprehensive income	1.5	0.1	0.7
1% Weakening			
Net earnings	(1.1)	0.2	(0.1)
Other comprehensive income	(1.5)	(0.1)	(0.7)

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At March 31, 2016, we had forward exchange contracts to trade U.S. dollars in exchange for the following currencies:

Currency	Contract amount in U.S. dollars	Weighted average exchange rate in U.S. dollars	Maximum period in months	Fair value gain (loss)
Canadian dollar	\$ 302.2	\$ 0.74	13	\$ 7.9
Thai baht	97.5	0.03	12	(0.7)
Malaysian ringgit	70.3	0.24	12	3.8
Mexican peso	34.9	0.06	12	(0.4)
British pound	130.4	1.46	4	1.9
Chinese renminbi	83.3	0.15	12	(0.7)
Euro	55.2	1.11	12	(0.5)
Romanian leu	20.6	0.25	12	0.4
Singapore dollar	20.3	0.71	12	0.7
Other	12.6		8	—
Total	\$ 827.3			\$ 12.4

At March 31, 2016, the fair value of the outstanding contracts was a net unrealized gain of \$12.4 (December 31, 2015 — net unrealized loss of \$24.0). Changes in the fair value of hedging derivatives to which we apply cash flow hedge accounting, to the extent effective, are deferred in other comprehensive income until the expenses or items being hedged are recognized in our consolidated statement of operations. Any hedge ineffectiveness, which at March 31, 2016 was not significant, is recognized immediately in our consolidated statement of operations. At March 31, 2016, we recorded \$20.6 of derivative assets in other current and non-current assets, and \$8.2 of derivative liabilities in accrued and other current liabilities (December 31, 2015 — \$2.8 of derivative assets in other current assets and \$26.8 of derivative liabilities in accrued and other current and non-current liabilities). The unrealized gains or losses are a result of fluctuations in foreign exchange rates between the date the currency forward contracts were entered into and the valuation date at period end.

13. CONTINGENCIES

Litigation

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 in the accounts 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.

Commencing in 2007, securities class action lawsuits were brought against us and certain of our officers, a director and Onex in the United States District Court for the Southern District of New York, alleging violations of United States federal securities laws. In 2015, a settlement of the consolidated class action lawsuits was reached and the District Court granted final approval of the settlement in July 2015. The time for any appeal from the approval of the settlement had expired without any appeal having been filed. The settlement payment to the plaintiffs was paid by our liability insurance carriers in 2015.

In 2007, parallel class proceedings were initiated against us and our former Chief Executive and Chief Financial Officers in the Ontario Superior Court of Justice. These proceedings are not affected by the settlement discussed above. On October 15, 2012, the Ontario Superior Court of Justice granted limited aspects of the defendants' motion to strike, but dismissed the defendants' limitation period argument. The defendants' appeal of the limitation period issue was dismissed on February 3, 2014 when the Court of Appeal for Ontario overturned its own prior decision on the limitation period issue. On August 7, 2014, the defendants were granted leave to appeal the decision to the Supreme Court of Canada, together with two other cases that dealt with the limitation period issue. The Supreme Court of Canada heard the appeal on February 9, 2015. The Supreme Court of Canada released its decision on December 4, 2015, allowing the defendants' appeal and holding that the statutory claims of the plaintiff and the class under the Ontario Securities Act are barred by the applicable limitation period. In an earlier decision dated February 14, 2014, the

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Ontario Superior Court of Justice denied certification of the plaintiffs' common law claims. No party appealed that decision. We will be seeking our costs of the Supreme Court proceedings and the proceedings below. It is too early to assess the quantum of costs that may be awarded, if any. The Canadian plaintiff has initiated a second motion to certify its common law claims, even though those claims were denied certification in February 2014. We believe that the February 2014 decision is final and binding and that any attempt to re-open certification of the common law claims is without merit. There can be no assurance that the outcome of the lawsuit will be favorable to us or that it will not have a material adverse impact on our financial position or liquidity. In addition, we may incur substantial litigation expenses in defending the claim. As the matter is ongoing, we cannot predict its duration or the resources required.

Income taxes

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. 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. If any of these tax authorities are successful with their challenges, our income tax expense may be adversely affected and we could also be subject to interest and penalty charges.

Tax authorities in Canada have taken the position that income reported by one of our Canadian subsidiaries should have been materially higher in 2001 and 2002 and materially lower in 2003 and 2004 as a result of certain inter-company transactions, and have imposed limitations on benefits associated with favorable adjustments arising from inter-company transactions and other adjustments. We have appealed this decision with the Canadian tax authorities and have sought assistance from the relevant Competent Authorities in resolving the transfer pricing matter under relevant treaty principles. We could be required to provide security up to an estimated maximum range of \$20 million to \$25 million Canadian dollars (approximately \$15 to \$19 at period-end exchange rates) in the form of letters of credit to the tax authorities in connection with the transfer pricing appeal, however, we do not believe that such security will be required. If the tax authorities are successful with their challenge, we estimate that the maximum net impact for additional income taxes and interest charges associated with the proposed limitations of the favorable adjustments could be approximately \$41 million Canadian dollars (approximately \$32 at period-end exchange rates). Resolution of these matters may occur during the remainder of 2016.

Canadian tax authorities have taken the position that certain interest amounts deducted by one of our Canadian entities in 2002 through 2004 on historical debt instruments should be re-characterized as capital losses. If the tax authorities are successful with their challenge, we estimate that the maximum net impact for additional income taxes and interest charges could be approximately \$33 million Canadian dollars (approximately \$26 at period-end exchange rates). We have appealed this decision with the Canadian tax authorities and have provided the requisite security to the tax authorities, including a letter of credit in January 2014 of \$5 million Canadian dollars (approximately \$4 at period-end exchange rates), in addition to amounts previously on account, in order to proceed with the appeal. We believe that our asserted position is appropriate and would be sustained upon full examination by the tax authorities and, if necessary, upon consideration by the judicial courts. Our position is supported by our Canadian legal tax advisors.

In the first quarter of 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 along with the relevant tax costs related to the foreign exchange gains which we had since accrued.

The successful pursuit of the assertions made by any taxing authority related to the above noted tax audits or others could result in our owing significant amounts of tax, interest and possibly penalties. We believe we have substantial defenses to the asserted positions and have adequately accrued for any probable potential adverse tax impact. However, there can be no assurance as to the final resolution of these claims and any resulting proceedings. If these claims and any ensuing proceedings are determined adversely to us, the amounts we may be required to pay could be material, and could be in excess of amounts currently accrued.

CERTIFICATION

I, Robert A. Mionis, certify that:

1. I have reviewed this report on Form 6-K of Celestica Inc.;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
 4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
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5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 22, 2016

/s/ Robert A. Mionis
Robert A. Mionis
Chief Executive Officer

CERTIFICATION

I, Darren G. Myers, certify that:

1. I have reviewed this report on Form 6-K of Celestica Inc.;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
 4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
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5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 22, 2016

/s/ Darren G. Myers

Darren G. Myers
Chief Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the report of Celestica Inc. (the "Company") on Form 6-K for the quarter ended March 31, 2016, as furnished to the Securities and Exchange Commission on the date hereof (the "Report"), each of Robert A. Mionis, as Chief Executive Officer of the Company, and Darren G. Myers, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

April 22, 2016

/s/ Robert A. Mionis
Robert A. Mionis
Chief Executive Officer

April 22, 2016

/s/ Darren G. Myers
Darren G. Myers
Chief Financial Officer

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.
