CELESTICA INC
Form 20-F
March 23, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

o Registration statement pursuant to Section 12(b) or (g)
of the Securities Exchange Act of 1934
or
ý Annual report pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
for the fiscal year ended December 31, 2009
or
o Transition report pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
or
o Shell company report pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of event requiring this shell company report:

Commission file number: 1-14832

CELESTICA INC.

(Exact name of registrant as specified in its charter)

Ontario, Canada

(Jurisdiction of incorporation or organization)

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

(Address of principal executive offices)

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

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

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

Subordinate Voting Shares	The Toronto Stock Exchange
	New York Stock Exchange
(Title of Class)	*(Name of each Exchange on which Registered)*

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

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

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

210,564,162 Subordinate Voting Shares 0 Preference Shares

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

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

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

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

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

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

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

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

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

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

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Part I

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

In this Annual Report, all dollar amounts are expressed in United States dollars, except where we state otherwise. All references to "U.S.$" or "$" are to U.S. dollars and all references to "C$" are to Canadian dollars. Unless we indicate otherwise, any reference in this Annual Report to a conversion between U.S.$ and C$ is a conversion at the average of the exchange rates in effect for the year ended December 31, 2009. During that period, based on the relevant noon buying rates in New York City for cable transfers in Canadian dollars, as certified for customs purposes by the Federal Reserve Bank of New York, the average daily exchange rate was U.S.$1.00 = C$1.1412.

Unless we indicate otherwise, all information in this Annual Report is stated as of February 22, 2010, the date as of which we prepared information for our annual report to shareholders and management information circular and proxy statement.

Forward-Looking Statements

Item 4, "Information on the Company," Item 5, " Management's Discussion and Analysis of Financial Condition and Results of Operations" and other sections of this Annual Report contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the U.S. Securities Act, Section 21E of the Securities Exchange Act of 1934, as amended, or the U.S. Exchange Act, and applicable Canadian securities legislation including, without limitation, statements related to our future growth, trends in our industry, our financial or operational results, including anticipated expenses, benefits or payments, the redemption of our senior subordinated notes and the expected benefits of such redemption, and our conversion from Canadian GAAP to International Financial Reporting Standards, and our financial or operational performance. Such forward-looking statements are predictive in nature, and may be based on current expectations, forecasts or assumptions involving risks and uncertainties that could cause actual outcomes and results to differ materially from the forward-looking statements themselves. Such forward-looking statements may, without limitation, be preceded by, followed by, or include words such as "believes," "expects," "anticipates," "estimates," "intends," "plans," or similar expressions, or may employ such future or conditional verbs as "may," "will," "should" or "would" or may otherwise be indicated as forward-looking statements by grammatical construction, phrasing or context. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the U.S. Private Securities Litigation Reform Act of 1995, and in applicable Canadian securities legislation.

Forward-looking statements are not guarantees of future performance. You should understand that the following important factors, in addition to those discussed in Item 3, "Key Information Risk Factors," and elsewhere in this Annual Report, could affect our future results and could cause those results to differ materially from those expressed in such forward-looking statements: the effects of price competition and other business and competitive factors generally affecting the electronics manufacturing services (EMS) industry, including changes in the trend for outsourcing; our dependence on a limited number of customers and end markets; variability of operating results among periods; the challenges of effectively managing our operations during uncertain economic conditions, including significant changes in demand from our customers as a result of an uncertain or weak economic environment; our inability to retain or expand our business due to execution problems resulting from significant headcount reductions, plant closures and product transfer activities; the challenge of responding to changes in customer demand; the delays in the delivery and/or general availability of various components and materials used in our manufacturing process; our dependence on industries affected by rapid technological change; our ability to successfully manage our international operations; the challenge of managing our financial exposures to foreign currency fluctuations; and the risk of potential non-performance by counterparties, including but not limited to financial institutions, customers and suppliers. Our forward-looking statements are also based on various assumptions which management believes are reasonable under the current circumstances, but may prove to be inaccurate and many of which may involve factors that are beyond our control. The material assumptions may include the following: forecasts from our customers, which range from 30 days to 90 days; timing and investments associated with ramping new business; general economic and market conditions; currency exchange rates; pricing and competition; anticipated customer demand; supplier performance and pricing; commodity, labor, energy and transportation costs; operational and financial matters; technological developments; and the timing and execution of our restructuring plan. These assumptions are based on management's current views with respect to current plans and events, and are and will be subject to the risks and uncertainties discussed above. Forward-looking statements are provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that such information may not be appropriate for other purposes.

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

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

You should read the following selected financial data together with Item 5, "Operating and Financial Review and Prospects," the Consolidated Financial Statements in Item 18 and the other information in this Annual Report. The selected financial data is derived from the consolidated financial statements for the years we present.

The Consolidated Financial Statements have been prepared in accordance with Canadian GAAP. These principles conform in all material respects with U.S. GAAP except as described in note 20 to the Consolidated Financial Statements in Item 18. For all the years presented, the selected financial data is prepared in accordance with Canadian GAAP unless otherwise indicated.

	Year ended December 31				
	2005[1]	2006[1]	2007[1]	2008[1]	2009[1]
	(in millions, except per share amounts)				
Consolidated Statements of Operations Data (Canadian GAAP):					
Revenue	$ 8,471.0	$ 8,811.7	$ 8,070.4	$ 7,678.2	$ 6,092.2
Cost of sales	7,989.9	8,359.9	7,648.0	7,147.1	5,662.4
Gross profit	481.1	451.8	422.4	531.1	429.8
Selling, general and administrative expenses (SG&A)[2]	274.4	264.7	271.7	292.0	244.5
Amortization of intangible assets	50.9	47.9	44.7	26.9	21.9
Integration costs related to acquisitions[3]	0.6	0.9	0.1		
Other charges[4]	130.9	211.8	47.6	885.2	68.0
Accretion of convertible debt (LYONs)	7.6				
Interest expense[5]	42.2	62.6	51.2	42.5	35.0
Earnings (loss) before income taxes	(25.5)	(136.1)	7.1	(715.5)	60.4
Income tax expense	21.3	14.5	20.8	5.0	5.4
Net earnings (loss)	$ (46.8)	$ (150.6)	$ (13.7)	$ (720.5)	$ 55.0
Other Financial Data:					
Basic earnings (loss) per share	$ (0.21)	$ (0.66)	$ (0.06)	$ (3.14)	$ 0.24
Diluted earnings (loss) per share	$ (0.21)	$ (0.66)	$ (0.06)	$ (3.14)	$ 0.24
Property, plant and equipment expenditures	$ 158.5	$ 189.1	$ 63.7	$ 88.8	$ 77.3
Consolidated Statements of Operations Data (U.S. GAAP)[6]:					
Net earnings (loss)	$ (42.8)	$ (149.3)	$ (16.1)	$ (725.8)	$ 39.0

Shares used in computing per share amounts (in millions):					
Basic	226.2	227.2	228.9	229.3	229.5
Diluted	226.2	227.2	228.9	229.3	230.9

	As at December 31				
	2005[1]	2006[1]	2007[1]	2008[1]	2009[1]
	(in millions)				
Consolidated Balance Sheet Data (Canadian GAAP):					
Cash and cash equivalents	$ 969.0	$ 803.7	$ 1,116.7	$ 1,201.0	$ 937.7
Working capital[7]	1,488.1	1,394.9	1,553.0	1,603.6	1,023.0
Property, plant and equipment	458.9	484.1	418.4	433.5	393.8
Total assets	4,857.8	4,686.3	4,470.5	3,786.2	3,106.1
Total long-term debt, including current portion[8]	751.4	750.8	758.5	733.1	222.8
Shareholders' equity	2,214.4	2,094.6	2,118.2	1,365.5	1,475.8
Consolidated Balance Sheet Data (U.S. GAAP)[6]:					
Total assets	$ 4,876.2	$ 4,708.1	$ 4,485.8	$ 3,786.2	$ 3,106.1
Total long-term debt, including current portion	751.4	750.8	757.2	723.4	221.2
Shareholders' equity	2,176.9	1,960.4	1,996.5	1,254.8	1,346.8

(1) Changes in accounting policies:

(i) Effective January 1, 2007, we adopted CICA Handbook Section 1530, "Comprehensive income," Section 3855, "Financial instruments recognition and measurement," Section 3861, "Financial instruments disclosure and presentation," and Section 3865, "Hedges." We were not required to restate prior results.

The transitional impact of adopting these standards and recording our derivatives on January 1, 2007 at fair value was as follows:

	Increase (decrease)
	(in millions)
Prepaid and other assets	$ 5.5
Other long-term assets	(10.3)
Accrued liabilities	5.8
Long-term debt embedded option and debt obligation	1.9
Long-term debt unamortized debt issue costs	(11.5)
Other long-term liabilities	8.1
Long-term deferred income tax liability	(2.2)
Opening deficit	6.4
Accumulated other comprehensive loss cash flow hedges	0.5

(ii) Effective January 1, 2009, we adopted CICA Handbook Section 3064, "Goodwill and intangible assets." This revised standard establishes guidance for the recognition, measurement and disclosure of goodwill and intangible assets, including internally generated intangible assets. As required by this standard, we have retroactively reclassified computer software assets on our consolidated balance sheet from property, plant and equipment to intangible assets. We have also reclassified computer software amortization on our consolidated statement of operations from depreciation expense, included in SG&A, to amortization of intangible assets. There was no impact on previously reported net earnings or loss.

	As at December 31			
	2005	2006	2007	2008
	(in millions)			
Computer software reclassified to intangible assets	$ 72.2	$ 69.5	$ 47.6	$ 34.0

	Year ended December 31			
	2005	2006	2007	2008
	(in millions)			
Amortization of computer software	$ 22.5	$ 20.9	$ 23.4	$ 11.8

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

(3)

These costs include costs to implement new information systems and business processes, including salary and other costs, directly related to the integration activities in newly acquired facilities.

(4) In 2005, Other charges totaled $130.9 million, comprised primarily of: (a) a $160.1 million restructuring charge, offset, in part, by (b)(i) a $13.9 million gain on repurchase of LYONs and (ii) a $13.8 million recovery of additional amounts realized relating to a specific customer risk.

In 2006, Other charges totaled $211.8 million, comprised primarily of: (a) a $178.1 million restructuring charge and (b) a $33.2 million non-cash loss resulting from the sale of our plastics business.

In 2007, Other charges totaled $47.6 million, comprised primarily of: (a) a $37.3 million restructuring charge and (b) a non-cash write-down of $15.1 million relating to the annual impairment assessment of long-lived assets, primarily property, plant and equipment.

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

In 2009, Other charges totaled $68.0 million, comprised primarily of: (a)(i) a $83.1 million restructuring charge and (ii) a non-cash write-down of $12.3 million relating to the annual impairment assessment of long-lived assets against property, plant and equipment, offset, in part, by (b)(i) a net $23.7 million recovery of damages from the settlement of a class action lawsuit and (ii) a net $2.8 million gain on repurchase of long-term debt, net of a write-down to the embedded options on the debt.

(5)

Interest expense is comprised of interest expense incurred on indebtedness and debt facilities, less interest income earned on cash and cash equivalents. As a result of adopting the standards on financial instruments and hedges referred in footnote (1)(i) above, in 2007, we have marked-to-market the embedded prepayment options in our debt instruments and have applied fair value hedge accounting to our interest rate swaps and our hedged debt obligation (particularly our $7^7/_8$% Senior Subordinated Notes due 2011, which were redeemed in full in the fourth quarter of 2009). The swap agreements were terminated in February 2009, at which point hedge accounting was discontinued. The changes in fair values each period are recorded in interest expense. The marked-to-market adjustment fluctuates each period as it is dependent on market conditions, including future interest rates, implied volatilities and credit spreads.

(6)

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

For 2005: interest on convertible debt classified as a long-term liability rather than as a bifurcated instrument, reversal of deferred taxes on convertible debt, loss on repurchase of convertible debt and the adoption of fair-value accounting for stock-based compensation for Canadian GAAP only;

For 2006: the transition adjustment resulting from adopting the fair-value accounting for stock-based compensation for U.S. GAAP in 2006;

For 2007: the transition adjustment resulting from adopting the standards on financial instruments, hedges and comprehensive income for Canadian GAAP in 2007;

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

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

Refer to note 20 to the Consolidated Financial Statements in Item 18.

(7)

Calculated as current assets less current liabilities.

(8)

Long-term debt includes capital lease obligations.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Our shareholders and prospective investors should carefully consider each of the following risks and all of the other information set forth in this Annual Report.

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

We are in a highly competitive industry. We compete on a global basis to provide electronics manufacturing services and solutions to original equipment manufacturers (OEMs) in the consumer, communications, enterprise computing, industrial, aerospace and defense, healthcare and green technology markets. Our competitors include major domestic and foreign companies such as Benchmark Electronics, Inc., Flextronics International Ltd., Hon Hai Precision Industry Co., Ltd., Jabil Circuit, Inc. and Sanmina-SCI Corporation, as well as smaller EMS companies that often have a regional, product, service or industry specific focus. In addition, original design manufacturers (ODMs), companies that provide internally designed products and manufacturing services to OEMs, continue to increase their share of outsourced manufacturing services across several markets and product groups, including personal computer motherboards, notebook and desktop computers, and smartphones and cell phones. While we have not historically participated in these segments, and we have not, to date, encountered significant direct competition from ODMs in the end markets in which we participate, we anticipate competition with ODMs will increase if our business in these markets grows, particularly in smartphones, or if ODMs expand into our primary end markets. We also face indirect competition from the manufacturing operations of our current and prospective customers, as these companies could choose to manufacture products internally rather than to outsource to EMS providers, particularly where internal excess capacity exists.

Some of our competitors have greater scale and a greater production presence in lower-cost geographies, as well as a broader service offering than we have. While we have increased the capacity we have in lower-cost regions over the past several years, lower-cost regions may not provide the same operational benefits that they have in the past as these regions have also experienced excess capacity. As a result, our industry is continually responding to aggressive pricing pressure and other competitive pressures. Additionally, our current or potential competitors may also increase or shift their presence in new lower-cost regions to try to offset the continuous competitive pressure or develop or acquire services comparable or superior to those we develop, combine or merge to form larger competitors, or adapt more quickly than we will to new technologies, evolving industry trends and changing customer requirements. Competition has caused and will continue to cause pricing pressures, increased working capital requirements, reduced profit or loss of market share (from both program and customer disengagements), any of which could materially and adversely affect us. The weak global economic environment will also increase the competitive environment in all these areas which could impact our profitability. In addition, the North American and Asian EMS industries have excess manufacturing capacity which may trigger EMS providers to expand into new and each other's end markets. These factors have exerted and will continue to exert additional pressures on pricing for components and services, thereby increasing the competitive pressures in the EMS industry. We may not be able to compete successfully against our current and future competitors, and the competitive pressures we face may have a material adverse effect on us.

We are dependent on a limited number of customers and end markets, primarily within the consumer, communications and enterprise computing markets, for a substantial portion of our revenue.

A decline in revenue from these customers or end markets or the loss of a large customer could have a material adverse affect on our financial condition and operating results. During 2009, one customer from our consumer end market individually represented more than 10% of our total revenue, and our top 10 customers represented 71% of total revenue. During 2008, we had no individual customer that represented more than 10%

of our total revenue, and our top 10 customers represented 63% of total revenue. Our largest customer, Research in Motion, or RIM, represented 17% of total revenue in 2009. Our recent success in the smartphone market, driven primarily by new program wins from RIM, has increased our customer concentration as a percentage of total revenue.

We expect to continue to depend upon a relatively small number of customers for a significant percentage of our revenue. To reduce this reliance, we have been targeting new customers and new services in our traditional segments, as well as new markets such as industrial, aerospace and defense, healthcare and green technology markets. We may also pursue acquisition opportunities to further diversify our revenue or customer base, although there can be no assurance that any acquisition will increase revenue or reduce our customer concentration. Acquisitions are also subject to integration risk and volumes and margins could be lower than we anticipated. As we pursue opportunities in new markets, we may encounter challenges as our knowledge or experience may be limited in these new markets or technologies.

Although we generally enter into master supply agreements with our customers, the level of business to be transacted under those agreements is not guaranteed. Instead, we bid on a project by project basis and typically have supply contracts or purchase orders in place for a specific project. We are dependent on customers to fulfill the terms associated with these orders and/or contracts.

In addition, some of our customers routinely reduce or delay the volume of manufacturing services ordered from us. There is no assurance that present or future large customers will not terminate their manufacturing arrangements with us or significantly change, reduce or delay the volume of manufacturing services they order from us, any of which would adversely affect our operating results. Significant reductions in, or the loss of, revenue from any of our large customers could have a material adverse effect on us. Additionally, the ramping of new program wins from new or existing customers can take from several months to more than a year before production starts. During this start-up period, these programs are subject to significant change or outright cancellation, in contrast to the initial expectations at the time the new business was awarded, due to changes in end-market demand or changes in product viability in the marketplace.

We are dependent on customers who operate in highly competitive markets and the inability of our customers to succeed in their markets can adversely impact our business, operating results and financial condition.

The end markets we serve can experience major swings in demand which, in turn, can significantly impact our operations. Our financial performance depends on our customers' ability to compete and succeed in their markets, which could be affected by global economic conditions. The majority of our customers' products are characterized by rapid changes in technologies, increased standardization of technologies and shortening of product lifecycles. In many instances, our customers have experienced severe revenue erosion, pricing and margin pressures, and excess inventories during the past few years.

We have recently increased the amount of our business in the consumer segment, particularly in smartphones, which is characterized by shorter product lifecycles, significant increases or decreases in program volumes based on strength in end-market demand, rapid changes in consumer preferences for these products and devices, and greater ease in shifting these products among EMS competitors. The increased exposure to this segment may make revenue more volatile and could result in increased risk to our financial results.

We are operating in a weak and uncertain global economic environment.

Although the global economy has recovered somewhat from the recent economic and financial crisis, the economic environment remains uncertain. This uncertainty has resulted in lower volumes for the products we manufacture and low end market visibility for our customers. This environment can pose significant risk to our business due to weaker demand, customer consolidation or customer financial stress or bankruptcy.

The global economic conditions and credit environment may well accelerate or exacerbate the effect of the various risk factors described in this Annual Report, as well as result in other unforeseen events that will affect our business and financial condition.

We may encounter difficulties expanding and/or restructuring our operations which could adversely affect our operating results.

As we expand our business, enter into new market segments and products, acquire new businesses or capabilities, transfer our business from one region to another or restructure our operations, we may encounter difficulties that result in higher than expected costs associated with such activities and customer dissatisfaction with our performance. Potential difficulties related to our growth and/or operational restructuring could include:

- lack of trained personnel to manage the operations and customer contracts appropriately;
- maintaining customer, supplier, employee and other favorable business relationships during a period of transition;
- effective training of staff to manage new customers and products;
- unanticipated disruptions in our operations which may impact our ability to deliver to the customer on time, to produce quality products and to ensure overall customer satisfaction;
- losing programs and customers that reduce their business risk by re-sourcing or dual-multi-sourcing their business with us due to unforeseen disruptions in our operations; and
- market share shifts associated with customer consolidation or supplier consolidation.

Any of these factors could prevent us from realizing the anticipated benefits of growth in new markets or the benefits we expected to realize from our restructuring actions and could adversely affect our business and operating results.

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

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

- integrating acquired operations, systems and businesses;
- maintaining customer, supplier, employee or other favorable business relationships of acquired operations and restructuring or terminating unfavorable relationships;
- addressing unforeseen liabilities of acquired businesses;
- making acquisitions in new end markets or in technologies where our knowledge or experience is limited;
- losing customers who want to transfer their business because of the change in ownership;
- losing key employees of acquired operations; and

not achieving anticipated business volumes.

Any of these factors could prevent us from realizing the anticipated benefits of an acquisition, including additional revenue, operational synergies and economies of scale. Our failure to realize the anticipated benefits of acquisitions could adversely affect our business and operating results. Previous acquisitions have resulted in the recording of a significant amount of goodwill and intangible assets at the time of acquisition. Our failure to support the carrying value of goodwill and intangible assets in periods subsequent to the acquisitions could require write-downs that adversely affect our operating results. All goodwill from previous acquisitions has been written off.

Inherent difficulties in managing capacity utilization and unanticipated changes in customer orders place strains on our planning and supply chain execution and may affect our operating results.

Our customers are dependent on EMS providers for new product introductions and rapid response times to meet changes in volume requirements. Most of our customers typically do not commit to firm production schedules for more than 30 to 90 days in advance and we often experience volatility in customer orders.

Additionally, a significant portion of our revenue can occur in the last month of the quarter and could be subject to change or cancellation that will affect our quarter-to-quarter results. Accordingly, we cannot always forecast the level of customer orders with certainty. This can make it difficult to order appropriate levels of materials and to schedule production and maximize utilization of our manufacturing capacity.

In addition, customers may cancel their orders, change production quantities or delay production for a number of reasons. When customers change production volumes or request different products to be manufactured than what they originally forecasted to us, the unavailability of components and materials for such changes could also impact our revenue and working capital performance. Furthermore, in order to guarantee continuity of supply for many of our customers, we are required to manufacture and hold a specified amount of finished goods in our warehouses. The uncertainty of our customers' end markets, intense competition in our customers' industries and general order volume volatility have resulted, and may continue to result, in some of our customers delaying or canceling the delivery of some of the products we manufacture for them and placing purchase orders for lower volumes of products than previously anticipated.

Changes or delays in customer orders could result in higher than expected inventory levels for us. In certain circumstances, we may be required to return the inventory to our suppliers, re-sell the inventory or continue to hold the inventory, any of which may result in our taking additional reserves for the inventory should it become excess or obsolete. Order cancellations and delays could also lower our asset utilization, resulting in higher levels of unproductive assets and lower margins. In some cases, changes in circumstances for a customer could also negatively impact the collectability of receivables or carrying value of our inventory for that customer. On other occasions, customers have required rapid and sudden increases in production, which have placed an excessive burden on our manufacturing capacity. Rapid changes in product ramps and/or the weakening financial condition or deterioration of any single customer's financial condition could prevent us from collecting receivables or realizing the value of inventory on hand. Any of these factors or a combination of these factors could have a material adverse effect on our results of operations.

Competitors with component manufacturing capabilities may have greater opportunities than we do to win additional business from some of our customers. This capability may have the potential to provide a competitor with additional capabilities or cost saving opportunities.

We procure all of our components from third-party suppliers. In addition to traditional EMS services, some of our competitors also manufacture some of the components used in the products they assemble. This can include metal or plastic enclosures, connectors, semiconductors, cabling and other components used in the manufacturing of electronics. Those capabilities may provide additional incentives for some customers to do business with those EMS or ODM companies, as there may be additional opportunity to reduce the total costs of their products by using more components and services from one company. If our customers transfer their business to a competitor, we may experience reduced revenue and lower utilization rates.

Our customers and competitors are subject to mergers and acquisitions, and similar transactions which can adversely affect our business relationships or the volume of business we conduct with our customers.

Future mergers and acquisitions could result in a decrease in demand from our customers or a loss of business to our competitors as customers rationalize their business and consolidate their suppliers. Mergers or consolidation among our competitors could increase their competitive advantage over us, which may also result in a loss of business if customers shift their production. In a weaker economic environment, there may be a higher risk of increased consolidation among our customers or competitors.

We are subject to the risk of increased income taxes which could adversely affect our financial condition and operating results.

We conduct business operations in a number of countries, including countries where tax incentives have been extended to encourage foreign investment or income tax rates are low.

We develop our tax position based upon the anticipated nature and structure of our business and the tax laws, administrative practices and judicial decisions now in effect in the 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 and reviews of historical information by local tax authorities which could result in additional tax expense in future periods relating to prior results. Any such increase in our income tax expense and related interest and penalties could have a significant impact on our future earnings and future cash flows.

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

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. In connection with ongoing tax audits in Canada, tax authorities have taken the position that income reported by one of our Canadian subsidiaries from 2001 to 2003 should have been materially higher as a result of certain inter-company transactions. In connection with a tax audit in Brazil, tax authorities have taken the position that income reported by our Brazilian subsidiary in 2004 should have been materially higher as a result of certain inter-company transactions. We believe that 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, and if these claims and any ensuing proceedings are determined adversely against us, the amounts we may be required to pay could be material. The successful pursuit of these assertions by tax authorities could result in those subsidiaries owing significant amounts of tax, interest and possibly penalties.

In addition, we have recognized, and will continue to recognize, the future benefit of certain Brazilian tax losses on the basis that these tax losses can and will be fully utilized in the fiscal period ending on the date of dissolution of our Brazilian subsidiary. We regularly review Brazilian laws and assess the likelihood of the realization of the future benefit of the tax losses. A change to the benefit realizable on these Brazilian losses could result in a substantial increase to our net future tax liabilities.

Our results can be affected by limited availability of components.

A significant portion of our costs is for the purchase of electronic components. During this time of global economic uncertainty, significant restructuring has occurred in the supply base to adjust to the lower volumes. As a result, an improved demand environment could exacerbate material shortages and impact our ability to meet our customers' demand requirements. All of the products we manufacture or assemble require one or more components that we order from component suppliers. In many cases, there may be only one supplier of a particular component. Supply shortages for a particular component can delay production and thus delay revenue relating to all products using that component, or they can cause price increases in the products and services we provide. In the past, we have secured sufficient allocations of constrained components so that revenue has not been materially impacted. At various times in our industry's history, there have been industry-wide shortages of electronic components. Future shortages, or fluctuations in the cost of components, may have a material adverse effect on our business or cause our operating results to fluctuate from period to period. Changes in forecasted volumes or in the products required by our customers can affect our ability to attain components which could impact our results. Additionally, quality or reliability issues at any of our component or materials providers, or financial difficulties that affect their production and ability to supply us with components, could halt or delay production of a customer's product which could adversely impact our operating results.

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

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

We are seeking to rapidly expand our services capabilities.

We believe OEM customers continue to look to the EMS industry to provide additional supply chain services and capabilities. While we currently provide some of these services, such as design and fulfillment, to a few of our customers, we are focused on significantly increasing these capabilities in the near term. We may pursue this growth through internal development or through acquisitions. Our efforts to expand our services capabilities may not be successful. The failure to increase these services and capabilities could impact our existing business and future business wins.

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

We have facilities in numerous countries, including China, the Czech Republic, Ireland, Japan, Malaysia, Mexico, Romania, Singapore, Spain and Thailand. During 2009, approximately two-thirds of our revenue was produced from locations outside of North America. We also purchase material from international suppliers for much of our business, including our North American business. We believe that our future growth depends largely on our ability to increase our business and penetration with global OEMs and selective markets, in both higher-cost and lower-cost regions.

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

- labor unrest and differences in regulations and statutes governing employee relations;
- changes in regulatory requirements;
- inflation and rising costs;
- difficulty in staffing and managing foreign sales and support operations;
- ability to build infrastructure or new facilities on schedule to support operations;
- changes in local tax rates and other potentially adverse tax consequences, including the cost of repatriation of earnings;
- burdens of complying with a wide variety of foreign laws, including changing import and export regulations, which could erode our profit margins or restrict exports;
- adverse changes in trade policies between countries in which we maintain operations;
- political instability;
- potential restrictions on the transfer of funds;

employee contracts that restrict our flexibility in responding to business downturns; and

foreign exchange risks.

Each of the regions in which we operate has a history of promoting foreign investment but could experience economic and political turmoil that could adversely affect us.

We have had significant restructuring charges and losses for several years and may experience restructuring charges and losses in future periods.

We have a history of recording losses resulting primarily from restructuring charges, the write-down of goodwill and long-lived assets, or the write-down of accounts receivable for customers in bankruptcy. These amounts have varied from period to period. We have undertaken numerous initiatives to restructure and reduce our capacity and cost structures in response to changes in the EMS industry and end-market demand, with the intention of improving utilization and realizing cost savings in the future. We will continue to evaluate our operations and may propose additional restructuring actions in the future. Any failure to successfully execute these initiatives, including any delay in effecting these initiatives, can have a material adverse impact on our operating results. Furthermore, we may not be profitable in future periods.

Restrictions on our ability to restructure quickly enough can delay the timing and affect the benefits we expect from our restructuring efforts.

We have operations in multiple regions around the world. As a result, we are subject to different regulatory requirements and labor laws governing how quickly we are able to reduce manufacturing capacity and terminate related employees. These requirements are particularly stringent in Europe. Restrictions on our ability to close under-utilized facilities have resulted in higher expenses associated with carrying excess capacity and infrastructure while conducting restructuring activities. While it has typically been easier to restructure our operations in certain lower-cost regions, the current global economic conditions may change how governments in all regions regulate restructuring as the weaker demand environment impacts local economies. The speed of our restructuring can also be impeded by delays from our customers related to the timing of their product transfers, which can prevent us from transferring products to our other facilities in a timely and cost-effective manner. Since the restructuring of our plants requires some of our customers to move their production from one of our facilities to another, customers have, and may in the future, use this opportunity to shift their production to competitors' facilities.

The complexity of moving our manufacturing base to lower-cost regions could have a material adverse effect on our financial condition and operating results.

Due to the highly competitive nature of the electronics industry, our customers strive for lower-cost solutions from their EMS providers. Over time, this has resulted in the movement of our production from higher-cost regions such as North America and Western Europe to lower-cost regions such as Asia, Latin America and Eastern Europe. This move has had, and could continue to have, a negative impact on current and future results by increasing the risks associated with, among other things, transferring production to new regions where skills or experience may be more limited than in higher-cost regions, incurring higher operating expenses during the transition, incurring additional restructuring costs associated with the decrease in production levels in higher-cost geographies and the risks of operating in new foreign jurisdictions. In certain situations, product transfers have resulted in, and may in the future result in, our inability to retain our existing business or grow future revenue due to execution problems resulting from significant headcount reductions, plant closures and product transfers.

We face financial risks due to foreign currency fluctuations.

The principal currency in which we conduct our operations is the U.S. dollar. However, some of our subsidiaries transact business in other currencies, such as the Canadian dollar, Thai baht, Malaysian ringgit, Mexican peso, Czech koruna, Singapore dollar, Japanese yen, Chinese renminbi, Romanian lei and the Euro. The global economic uncertainty has resulted in significant fluctuations of currency rates, particularly in 2008, and may continue to affect profitability going forward. We often enter into hedging transactions to minimize our exposure to foreign currency risks. We may also enter into forward exchange contracts to hedge our balance sheet exposures. Our hedging activity is designed to reduce the variability of our foreign currency costs and consists of contracts to purchase or sell foreign currencies at future dates. These contracts generally extend for periods ranging from one to 15 months. Our hedging transactions may not successfully minimize foreign currency risk, which could have a material adverse effect on our operating results.

Failure of our customers to pay the amounts owed to us in a timely manner may adversely affect our financial condition and operating results.

We generally provide payment terms ranging from 30 to 60 days. As a result, we generate significant accounts receivable from sales to our customers, historically representing 22% to 39% of current assets. Accounts receivable from sales to customers at December 31, 2009 were $828.1 million (December 31, 2008 $1,074.0 million; and December 31, 2007 $941.2 million). At December 31, 2009, one customer represented more than 10% of total accounts receivable (December 31, 2008 two customers each represented more than 10% of total accounts receivable; and December 31, 2007 no customer represented more than 10% of total accounts receivable). If any of our customers have insufficient liquidity, we could encounter significant delays or defaults in payments owed to us by such customers, and we may extend our payment terms or restructure their receivables owed to us, which could have a significant adverse impact on our financial condition and operating results. Any deterioration in the financial condition of our customers will increase the risk of collecting receivables. The ongoing global economic uncertainty could also impact our customers' ability to pay receivables or result in customers going into bankruptcy or reorganization proceedings which could also impact our ability to collect our receivables. We regularly review our accounts receivable valuations and make adjustments when necessary. Our allowance for doubtful accounts at December 31, 2009 was $7.5 million (December 31, 2008 $13.7 million; and December 31, 2007 $21.5 million), which represented 1% of the gross accounts receivable balance (December 31, 2008 1%; and December 31, 2007 2%).

We may be required to make larger contributions to our defined benefit plans in the future, which may have an adverse impact on our liquidity and our operating results.

We maintain multiple defined benefit plans, as well as supplemental pension plans. Some employees in Canada, Japan and the United Kingdom participate in our defined benefit pension plans. We also have defined contribution plans for our other employees, primarily in Canada and the U.S.

Our pension funding policy is to contribute amounts sufficient to meet minimum local statutory funding requirements that are based on actuarial calculations. Our obligations are based on certain assumptions relating to expected plan performance, including employee turnover and retirement rates, the performance of the financial markets and discount rates. If future trends differ from these assumptions, the amounts we are obligated to contribute to the pension plans may increase. If the financial markets result in returns lower than our assumptions, we may be required to make larger contributions in the future and our pension expense may also increase.

The efficiency of our operations could be adversely affected by any delay in delivery from our transportation suppliers, including delays caused by work stoppages and natural disasters.

We rely on a variety of common carriers for the transportation of materials and products and for their ability to route these materials and products through various international ports. A work stoppage, strike or shutdown of any important supplier's facility or operations, or at any major port or airport, could result in manufacturing and shipping delays or expediting charges, which could have a material adverse effect on our operating results. Increased political activism and local economic conditions could impact receipt of materials and product shipments. Natural disasters such as tsunamis and earthquakes, and the severe and dramatic change to historical weather patterns in the regions where our facilities or our suppliers' facilities are located, could have an adverse impact on our ability to deliver products to our customers. Such events could disrupt supply to us, and from us to our customers, and adversely affect our operating results.

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

In certain of our sales contracts, we provide warranties against defects or deficiencies in our products, services or designs. A successful claim for damages arising as a result of such defects or deficiencies, for which we are not insured or where the damages exceed our insurance coverage, or any material claim for which insurance coverage is denied or limited and for which indemnification is not available, could have a material adverse effect on our business, operating results and financial condition. As we pursue new end markets, warranty requirements will vary and we may be less effective in pricing our products to appropriately capture the warranty costs.

We may be unable to keep pace with manufacturing technology changes.

We continue to evaluate the advantages and feasibility of new manufacturing processes. Our future success will depend, in part, upon our ability to continually develop and market electronics manufacturing services that meet our customers' evolving needs. This could entail investing in new processes or equipment to support new technologies used in our customers' current or future products, and to support their supply chain processes. Additionally, as we pursue business in new end markets where our experience is limited, we may be less effective in adapting to technological change. Our manufacturing and supply chain processes, test development efforts and design capabilities may not be successful.

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

We may be unable to protect our intellectual property or the intellectual property of others.

We believe that certain of our proprietary intellectual property rights and information provide us with a competitive advantage. Accordingly, we have taken, and intend to continue to take, appropriate steps to protect this proprietary information. These steps include signing non-disclosure agreements with customers, suppliers, employees and other parties, and implementing rigid security measures. Our protection measures may not be sufficient to prevent the misappropriation or unauthorized disclosure of our property or information.

There is also a risk that infringement claims may be brought against us, our customers or our suppliers in the future. If an infringement claim is successfully asserted, we may be required to spend significant time and money to develop processes that do not infringe upon the rights of another person or to obtain licenses for the technology, process or information from the owner. We may not be successful in such development, or any such licenses may not be available on commercially acceptable terms, if at all. In addition, any litigation could be lengthy and costly and could adversely affect us even if we are successful in such litigation. As we pursue business in new end markets, we may be less effective in anticipating the intellectual property risks related to new manufacturing, design and other services.

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

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

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

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

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

We are subject to various federal, state/provincial, local and multi-national environmental laws and regulations. Our environmental management systems and practices have been designed to ensure compliance with these laws and regulations in a manner consistent with local practice. Maintaining compliance with and responding to increasingly stringent regulations require a significant investment of time and resources and may restrict our ability to modify or expand our facilities or to continue production.

More complex and stringent environmental legislation continues to be imposed, including laws that place increased responsibility and requirements on the "producers" of electronic equipment and, in turn, their providers and suppliers. Such laws may relate to product inputs (such as hazardous substances and energy consumption) and product use (such as energy efficiency and waste management/recycling). Noncompliance with these requirements could potentially result in substantial costs, including fines and penalties, as well as liability to our customers and consumers.

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

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

The efficiency of our operations could be adversely affected by any disruptions from our third-party IT providers.

We have outsourced certain IT systems support, which includes database management, as well as application development and support for our production control and inventory management systems. If these third-party providers are unable to fulfill their obligations on a timely and reliable basis, we may experience disruptions to our operations. Any inefficiencies or production down times resulting from such disruptions could have a negative impact on our ability to meet customers' orders, resulting in a delay or decrease to our revenue and our operating margins.

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

Our credit agreement contains financial and operating covenants that limit our management's discretion with respect to certain business matters. Among other things, these covenants restrict our ability and our subsidiaries' ability to incur additional debt, create liens or other encumbrances, change the nature of our business, sell or otherwise dispose of assets, and merge or consolidate with other entities. At February 22, 2010, we were in compliance with these covenants. Based on the required financial ratios at December 31, 2009, we had full access to our $200 million credit facility.

We could face increased financial risk due to the potential non-performance by counterparties, including but not limited to financial institutions, customers and suppliers.

The potential occurrence of default by a counterparty on its contractual obligations may result in a financial loss to us. For our financial markets activity, we mitigate the risk of financial loss from defaults by dealing with counterparties we believe are creditworthy. The global economic uncertainty has impacted, and we expect will continue to impact, the financial condition of some of our customers and suppliers. An interruption in supply from a raw materials supplier, especially for single-sourced components, could have a significant impact on our operations and on our customers, if we are unable to deliver finished products in a timely manner. We will continue to closely monitor our customers' and suppliers' financial condition and creditworthiness.

The interest of our controlling shareholder may conflict with the interest of the remaining holders of our subordinate voting shares.

Onex Corporation, or Onex, owns, directly or indirectly, all of the outstanding multiple voting shares and less than 1% of the outstanding subordinate voting shares. The number of shares owned by Onex, together with those shares Onex has the right to vote, represents 69% of the voting interest in Celestica and less than 1% of the voting interest in our outstanding subordinate voting shares. Accordingly, Onex exercises a controlling influence over our business and affairs and has the power to determine all matters submitted to a vote of our shareholders where our shares vote together as a single class. Onex has the power to elect our directors and its approval is required for significant corporate transactions such as certain amendments to our articles of incorporation, the sale of all or substantially all of our assets and plans of arrangement. Onex's voting power could have the effect of deterring or preventing a change in control of our company that might otherwise be beneficial to our other shareholders. Under our credit agreement, it is an event of default entitling our lenders to demand repayment if Onex ceases to control Celestica unless the shares of Celestica become widely held ("widely held" meaning that no one person owns more than 20% of the votes). Gerald W. Schwartz, the Chairman and Chief Executive Officer of Onex and one of our directors, owns multiple voting shares of Onex, carrying the right to elect a majority of the Onex board of directors. Mr. Schwartz, therefore, effectively controls our affairs. The interests of Onex and Mr. Schwartz may differ from the interests of the remaining holders of subordinate voting shares. For additional information about our principal shareholders, see Item 7(A), "Major Shareholders." Onex has, from time to time, issued debentures exchangeable and redeemable under certain circumstances for our subordinate voting shares, entered into forward equity agreements with respect to subordinate voting shares, sold shares (after exchanging multiple voting shares for subordinate voting shares), or redeemed these debentures through the delivery of subordinate voting shares and could do so in the future. These sales could impact our share price, have consequences on our outstanding debt and change our ownership structure.

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

Celestica has been named as a defendant in a purported class action lawsuit in the United States which asserts claims for violations of federal securities laws on behalf of persons who acquired our securities between January 27, 2005 and January 30, 2007. Celestica has been named as a defendant in a similar purported class action brought in Canada under Canadian law. Our former Chief Executive and Chief Financial Officers were also named as defendants in these lawsuits. In a consolidated amended U.S. complaint, the plaintiffs have added one of our directors and Onex as defendants. These lawsuits seek unspecified damages. All defendants have filed motions with the U.S. court to dismiss the amended complaint. Those motions are pending. Although we believe the allegations in these claims are without merit and we intend to defend these claims vigorously, these lawsuits could result in substantial costs to us, divert management's attention and resources from our operations and negatively affect our public image and reputation.

Potential unenforceability of civil liabilities and judgments.

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

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

Our consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are reconciled to U.S. GAAP. The accounting standards are revised periodically and/or expanded upon by the standard-setting bodies. Accordingly, we are required to adopt new or revised accounting standards and to comply with revised interpretations issued from time to time by these authoritative bodies, which include the Canadian Accounting Standards Board, the Financial Accounting Standards Board and the U.S. Securities and Exchange Commission. The Canadian Accounting Standards Board announced that it will adopt the International Financial Reporting Standards for publicly accountable enterprises in Canada, effective 2011. The adoption of these changes could adversely affect our reported revenue, profitability or financial condition. Compliance with these changes could also increase our financial and accounting costs.

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

Future sales of our subordinate voting shares in the public market, or the issuance of subordinate voting shares upon the exercise of stock options or otherwise, could adversely affect the market price of the subordinate voting shares.

At February 22, 2010, we had 210,992,933 subordinate voting shares and 18,946,368 multiple voting shares outstanding. All of the subordinate voting shares are freely transferable without restriction or further registration under the U.S. Securities Act, except for shares held by our affiliates (as defined in the U.S. Securities Act). Shares held by our affiliates include all of the multiple voting shares and 1,451,320 subordinate voting shares held by Onex. An affiliate may not sell shares in the United States unless the sale is registered under the U.S. Securities Act or an exemption from registration is available. Rule 144 of the U.S. Securities Act permits our affiliates to sell our shares in the United States subject to volume limitations and requirements relating to manner of sale, notice of sale and availability of current public information with respect to us.

In addition, as of February 22, 2010, there were approximately 26,000,000 subordinate voting shares reserved for issuance under our employee share purchase and option plans and for director compensation, including outstanding options to purchase approximately 10,700,000 subordinate voting shares. Moreover, pursuant to our articles of incorporation, we may issue an unlimited number of additional subordinate voting shares without further shareholder approval (subject to any required stock exchange approvals). As a result, a substantial number of our subordinate voting shares will be eligible for sale in the public market at various times in the future. The issuances and/or sale of such shares would dilute the holdings of our shareholders and could adversely affect the market price of the subordinate voting shares.

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

Increased international political instability, evidenced by the threat or occurrence of terrorist attacks, enhanced national security measures, conflicts in the Middle East and Asia, security issues at the U.S./Mexico border related to illegal immigration or criminal activities associated with illegal drugs activities, strained international relations arising from these conflicts and the related decline in consumer confidence may hinder our ability to do business. Any escalation in these events or similar future events may disrupt our operations or those of our customers and suppliers and could affect the availability of materials needed to manufacture our products or the means to transport those materials to manufacturing facilities and finished products to customers. These events have had and may continue to have an adverse impact on the U.S. and world economy in general and customer confidence and spending in particular, which in turn could adversely affect our revenue and operating results. The impact of these events on the volatility of the U.S. and world financial markets could increase the volatility of the market price of our securities and may limit the capital resources available to us and our customers and suppliers.

Item 4. Information on the Company

A. History and Development of the Company

We were incorporated in Ontario, Canada under the name Celestica International Holdings Inc. on September 27, 1996. Since that date, we have amended our articles of incorporation on various occasions, principally to modify our corporate name and our share capital. Our legal and commercial name is Celestica Inc. We are domiciled in the Province of Ontario, Canada and operate under the Business Corporations Act (Ontario). Our principal executive offices are located at 844 Don Mills Road, Toronto, Ontario, Canada M3C 1V7 and our telephone number is (416) 448-5800. Our website is http://www.celestica.com. Information on our website is not incorporated by reference in this Annual Report.

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

Celestica offers a range of electronics manufacturing services and solutions to OEMs across many industries. We operate a global manufacturing and supply chain network.

Recent Acquisitions

Certain information concerning our acquisition activities, including property, plant and equipment expenditures, and financing activities, is set forth in notes 3, 4, 7, 8, 15, 17 and 22 to the Consolidated Financial Statements in Item 18, and Item 5, "Operating and Financial Review and Prospects Management's Discussion and Analysis of Financial Condition and Results of Operations."

Certain information concerning our divestiture activities, including our restructurings, is set forth in note 10 to the Consolidated Financial Statements in Item 18, and Item 5, "Operating and Financial Review and Prospects Management's Discussion and Analysis of Financial Condition and Results of Operations."

B. Business Overview

We deliver innovative supply chain solutions to OEMs in the consumer, communications, enterprise computing, industrial, aerospace and defense, healthcare and green technology sectors. We believe our services and solutions will help our customers reduce their time to market and eliminate waste from their supply chains, resulting in lower product lifecycle costs, better financial returns and improved competitive advantage in their respective business environments.

Our global operating network spans the Americas, Asia and Europe. In an effort to drive speed and flexibility for our customers, we conduct the majority of our business through full-service centers of excellence, strategically located around the world. Through our Ring Strategy, we strive to align a network of suppliers around each of our centers of excellence in order to increase flexibility in our supply chain, deliver shorter overall product lead times and reduce inventory. We operate other sites around the globe with specialized supply chain management and high-mix/low-volume manufacturing capabilities to meet the specific production and product lifecycle requirements of our customers.

Through our centers of excellence and the deployment of our Total Cost of Ownership (TCOO) Strategy, we strive to provide our customers with the lowest total cost throughout the product lifecycle. This approach enables us to focus our capabilities on broad solutions that address the total cost of design, sourcing, production, delivery and after-market services for our customers' products, which can help drive greater levels of efficiency and improved service levels throughout our customers' supply chain.

Our targeted end markets include consumer, communications, enterprise computing, industrial, aerospace and defense, healthcare and green technology. Although we supply products and services to over 100 OEMs, we depend on a relatively small number of customers for a significant portion of our revenue. In the aggregate, our top 10 customers represented 71% of revenue in 2009 and our largest customer represented 17% of revenue. In 2009, we segmented our end markets as follows: consumer (29% of revenue); enterprise communications (21% of revenue); telecommunications (15% of revenue); servers (13% of revenue); storage (12% of revenue); and industrial, aerospace and defense, and healthcare (10% of revenue). The products we manufacture can be found in a wide variety of end products, including smartphones; networking, wireless and telecommunications equipment; storage devices; servers; aerospace and defense electronics, such as in-flight entertainment and guidance systems; healthcare products; audiovisual equipment, including set-top boxes and flat-panel televisions; printers and related supplies; peripherals; gaming products; and a range of industrial and green technology electronic equipment.

We believe our principal strengths include our advanced capabilities in the areas of technology and quality, our flexible service offerings, our financial strength and our market-specific supply chain management capabilities. We offer a wide range of advanced manufacturing technologies, test capabilities and processes to support our customers' needs. We believe our size, geographic reach and expertise in supply chain management allow us to purchase materials effectively and to deliver products to customers faster, thereby reducing overall product costs and reducing the time-to-market.

We believe our highly skilled workforce differentiates us from our competitors. We have an entrepreneurial, participative and team-based culture, with a focus on continuous improvement, flexibility and customer service excellence.

We believe we are well positioned to compete effectively in the EMS industry, given our financial strength and our position as one of the major EMS providers worldwide. Our priorities include to (i) grow revenue through organic program wins and acquisitions; (ii) improve financial results, including operating margins, return on invested capital and cash flow performance; (iii) develop and enhance profitable and key relationships with leading OEMs across our strategic target market segments; (iv) broaden the range of the services we offer to OEMs; and (v) expand capabilities in services and technologies that diversify and expand our revenue base beyond our traditional areas of EMS manufacturing expertise. We believe that success in these areas will result in improved financial performance which will enhance shareholder value.

Electronics Manufacturing Services Industry

Overview

The EMS industry is comprised of companies that offer a broad range of electronics manufacturing services to OEMs. Since the 1990s, OEMs have increased their reliance on these services to become more efficient and to enhance their competitive positions. Today, the leading EMS companies have global operating networks delivering worldwide supply chain management solutions. They offer end-to-end services for the entire product lifecycle, including design and engineering, manufacturing and systems integration, fulfillment and after-market services. By outsourcing the manufacturing and related services, OEMs are able to overcome their most pressing business challenges related to cost, asset utilization, quality, time-to-market and rapidly changing technologies.

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

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

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

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

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

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

Improve Access to Global Markets. OEMs provide products and support services for a global customer base. EMS companies with global infrastructure and support capabilities provide OEMs with efficient global manufacturing solutions and distribution capabilities.

Access to Broadening Service Offerings. In response to OEMs' continued desire to outsource activities that were traditionally handled internally, EMS providers are continually expanding their offerings to include services such as design, fulfillment and after-market support, including repair and recycling services. This enables OEMs to benefit from outsourcing more of their cost of goods sold.

Celestica's Focus

We are dedicated to building solid partnerships and delivering innovative supply chain solutions to our customers. To achieve this, we work closely with our OEM customers to proactively identify and fulfill current requirements and anticipate future needs. We strive to exceed our customers' expectations by offering a broad range of services to lower costs, increase flexibility and predictability, improve quality and provide better service to their customers. We also look at ways to invest in our customers' future by continuing to deepen our knowledge of their businesses and to develop solutions to meet their needs. We constantly look to advance our technical capabilities to help our customers achieve a competitive advantage. By succeeding in the following areas, we believe we will maximize customer satisfaction, and improve financial performance which will enhance shareholder value:

Improve Financial Results, Including Operating Margins, Return on Invested Capital and Cash Flow Performance. We continue to focus on (i) improving utilization in regions or sites where volumes are below appropriate levels, (ii) completing our restructuring programs to ensure we have the appropriate global manufacturing network and cost structures in place to serve our customers, (iii) leveraging our supply chain practices globally to lower material costs, minimize lead times and improve our planning cycle to better meet changes in customers' demand and improve asset utilization, (iv) maximizing asset utilization, which we believe when combined with margin enhancement measures will increase our return on invested capital and (v) maximizing cash flow performance.

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

Develop and Enhance Profitable and Key Relationships with Leading OEMs. We seek to build and sustain profitable, strategic and collaborative relationships with targeted industry leaders in sectors that can benefit from the delivery of our services and solutions. We conduct ourselves as an extension of our customers' organizations which enables us to respond to their needs with speed, flexibility and predictability in delivering results. We have established and maintain strong manufacturing relationships with a diverse mix of leading OEMs across several market segments. We believe that our customer base will be a strong source of growth for us as we seek to strengthen these relationships through the delivery of additional services.

Expand Range of Service Offerings. We continually look to expand the breadth and depth of the services we provide to OEMs in areas that can reduce their overall product lifecycle costs. In recent years, we have expanded our service offerings to facilitate the manufacture of a broader spectrum of products and to support the full product lines of leading OEMs in a variety of industry segments. During this period, we have also expanded additional capabilities in prototyping, design, engineering solutions, systems assembly, logistics, fulfillment and after-market services.

Continue to Penetrate Strategic Target End Markets. As a result of new or continued demand for outsourced electronics manufacturing services, we strive to establish a diverse customer base with OEM customers in several industries. We believe our legacy of expertise in technology, quality and supply chain management, in addition to our broad service offerings, have positioned us as an attractive partner to companies across these market segments. Our goal is to diversify across targeted markets, such as commercial aerospace and defense, healthcare, industrial and green technology, to reduce the risk associated with reliance on only a few sectors. Our revenue diversification is as follows:

	2007	2008	2009
Consumer	19%	23%	29%
Enterprise Communications	28%	25%	21%
Telecommunications	14%	15%	15%
Servers	19%	16%	13%
Storage	10%	10%	12%
Industrial, Aerospace and Defense and Healthcare	10%	11%	10%

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

Celestica's Business

OEM Supply Chain Services and Solutions

We are a global provider of innovative supply chain solutions. We offer a full range of services including design, manufacturing, engineering, order fulfillment, logistics and after-market services. We capitalize on our global operating network, information technology and supply chain expertise using a collaborative process and a team of highly skilled, customer-focused employees. We believe that our ability to deliver a broad range of supply chain solutions to our customers provides them with a competitive time-to-market and cost advantage.

Supply Chain Management. We use enterprise resource planning and supply chain management systems to optimize materials management from suppliers through to our customers' customers. The effective management of the supply chain is critical to the OEMs' success, as it directly impacts the time required to deliver products to market and the capital requirements associated with carrying inventory. We believe that we have a differentiated supply chain offering compared to our competitors through our TCOO Strategy and Ring Strategy.

Through our TCOO Strategy, we strive to provide our customers with the true cost of producing, delivering and supporting their products so that we can exceed their expectations for time-to-market and quality and provide them with the lowest TCOO. Through our Ring Strategy, we strive to align a network of suppliers around each of our centers of excellence so we can increase the agility, flexibility and collaborative approach of our supply chain to deliver the shortest overall lead times for any given product.

Design. Our global design services and solutions architects are focused on opportunities that span the entire product lifecycle. Supported by a disciplined approach to program management, we strive to provide flexible design solutions and expertise to help customers optimize the supply chain to reduce their overall product costs, improve time-to-market and introduce competitively differentiated products. A leader in design analysis, we leverage our proprietary CoreSim Technology to minimize design spins, speed time to market and provide improved manufacturing yields for our customers. Through our collective experience with common technologies across multiple industries and product groups, we believe we can provide quality and cost-focused solutions for our customers' design needs.

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

We strive to enhance our design services capabilities through strategic relationships with global engineering and research and development organizations, as well as other IT services and business process outsourcing firms. We believe that by combining our companies' strengths, we can create solutions to help our customers overcome design-related challenges. The skills and scalability that we can access enable us to better manage projects throughout the life of the product, including software development and systems validation, as well as complete product sustainability.

Other key initiatives aimed at enhancing our design services offering include developing and marketing solutions accelerator platforms for products such as blade servers, storage devices, wireless networking equipment and smart grid technologies. We believe these customizable solution accelerators will help OEMs reach their markets faster by reducing design cycles without compromising their intellectual property.

Green Services . We have developed a suite of services to help our customers comply with environmental legislation, such as those relating to the removal of hazardous substances and waste management/recycling. Our services help our customers design, prototype, introduce, manufacture, test, ship, takeback, repair, refurbish, reuse, recycle and properly dispose of end-of-life (EOL) products in compliance with existing and evolving legislation in countries in which we operate.

Prototyping. Prototyping is a critical early-stage process in the development of new products. Our engineers collaborate with OEM engineers to build early-stage products at our new product introduction centers. These centers are strategically located to enable us to provide a quick response in the early stages of the product development lifecycle. Upon completion of these prototypes, our new product introduction centers provide a seamless entry into our larger manufacturing facilities.

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

Product Assurance. We provide product assurance to our OEM customers. Our product assurance teams perform product life testing and full circuit characterization to ensure that designs meet or exceed required specifications. We are accredited as a National Testing Laboratory capable of testing to international standards (e.g., Canadian Standards Association and Underwriters Laboratories). We believe that this service allows our customers to attain product certification significantly faster than is customary in the EMS industry.

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

Order Fulfillment and Logistics. We leverage our global scale in manufacturing, supply chain management and fulfillment to provide fully integrated logistics solutions to our customers. Our logistics offerings include warehouse and distribution, freight management, logistics consulting services, product and materials visibility and reverse logistics. We ship worldwide to our customers or, in many cases, directly to our OEMs' customers.

After Market Services. We help our customers extend the value of their product through our after-market repair, returns and recycling services, individualized to meet each customer's requirements. These services include field failure analysis, product upgrades, repair and engineering change management. The knowledge gained from these services may also be used in future design activity to improve quality and reliability in next-generation products.

Quality Management

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

In addition to these standards, we continue to deploy Lean and Six Sigma initiatives throughout our manufacturing network. Implementing Lean throughout the manufacturing process improves efficiency, shortens cycle times and reduces waste in areas such as inventory on hand, set up times, floor space and the number of people required for production. Six Sigma ensures continuous improvement by reducing process variation. We also apply the knowledge we gain in our after market services to improve the quality and reliability of next-generation products. Success in these areas helps our customers lower their costs, positioning them more competitively in their respective business environments.

We believe that quality management is one of the key services directly linked to meeting and exceeding our customers' expectations, and we have a series of key performance indicators deployed across our operating network that allow our teams to focus on driving continuous improvement and meeting customers' expectations with respect to quality.

Geographies

Approximately one-half of our revenue is produced in Asia and one-third of our revenue is produced in North America. A listing of our principal manufacturing and non-manufacturing locations is included in Item 4, "Information on the Company Description of Property." We believe we have a competitive and strategic global manufacturing network with approximately 80% of our employees located in lower-cost regions. We have deployed many of our significant technical capabilities to a broad number of our global sites in both high-cost and low-cost regions which we believe differentiates us from our competitors.

Certain geographic information is set forth in note 17 to the Consolidated Financial Statements in Item 18.

Sales and Marketing

We have adopted a marketing approach focused on creating profitable, strategic relationships with leading OEMs in targeted end markets. We have structured our business development teams by market segment, with a focus on providing complete manufacturing and supply chain solutions. Our coordination of efforts with key global customers has been enhanced by the creation of customer-focused teams, each headed by a group general manager who oversees the global relationship with these customers. These teams work with our solutions architects to develop specific approaches that meet the unique needs of each customer's product or supply chain requirements. Our global network is comprised of customer-focused teams, including direct sales representatives, operational and project managers, account executives, supply chain management teams, as well as senior executives.

Customers

We supply products and services to approximately 100 OEM customers and target industry leading customers in strategic market segments focused on key technologies. Our customers include Alcatel Lucent, Cisco Systems, EMC, Hewlett-Packard, Hitachi, Honeywell, IBM, Juniper, NEC, Polycom, Raytheon, Research in Motion and Sun Microsystems. We are focused on strengthening our relationships with these strategic customers through the delivery of new and expanding end-to-end solutions, such as design, engineering, order fulfillment, logistics and after-market services.

During 2009, our largest customer, Research in Motion, represented more than 10% of total revenue. During 2008, we had no customers that represented over 10% of total revenue. Our top 10 customers represented 71% and 63%, respectively, of total revenue for 2009 and 2008.

We generally enter into contractual agreements with our key customers that provide the framework for our overall relationship. The majority of our customer arrangements also require the customer to purchase unused inventory that we have purchased to fulfill that customer's forecasted manufacturing demand.

Technology and Research and Development

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

Our customer-focused factories are highly flexible and are reconfigured as needed to meet customer-specific product requirements and fluctuations in volumes. We have extensive capabilities across a broad range of specialized assembly processes. We work with a variety of substrate types based on the products we build for our customers, from thin, flexible printed circuit boards to highly complex, dense multi-layer boards as well as a broad array of advanced component and attach technologies employed in our customers' products. Increasing demand for full-system assembly solutions continues to drive technical advancement in complex mechanical assembly and configuration.

Our assembly capabilities are complemented by advanced test capabilities. The technologies we use include high-speed functional testing, optical, burn-in, vibration, radio frequency, in-circuit and in-situ dynamic thermal cycling stress testing. We believe that our inspection technology, which includes X-ray laminography, advanced automated optical inspection, three-dimensional laser paste volumetric inspection and scanning electron microscopy, is among the most sophisticated in the EMS industry. We work directly with the leaders in the equipment industry to optimize their products and solutions or to jointly design a solution to better meet our needs and the needs of our customers. Furthermore, we employ internally developed automated robotic technology to perform in-process repair.

Our ongoing research and development activities include the development of processes and test technologies, as well as some focused product development. We are proactive in developing manufacturing techniques that take advantage of the latest component, product and packaging designs. We work directly with our customers to understand their product roadmaps and to develop the technology solutions required to optimally solution their future needs. We often work with, and take a leadership role in, industry groups that strive to advance the state of technology in the industry.

Supply Chain Management

We have strong relationships with our commodity suppliers. We share data electronically with our key suppliers and ensure speed of supply through strong relationships with our logistics partners and full-service distribution capabilities. During 2009, we procured and managed over $4.5 billion in materials and related services. We view the size and scale of our procurement activities as an important competitive advantage, as it enhances our ability to obtain better pricing, influence component packaging and design and obtain a supply of components in constrained markets.

We believe we have a differentiated supply chain offering compared to our competitors through our Total Cost of Ownership Strategy and Ring Strategy. Through our TCOO Strategy, we strive to provide our customers with the true cost of producing, delivering and supporting their products so that we can exceed their expectations for time-to-market and quality and provide them with the lowest TCOO. Through our Ring Strategy, we strive to align a network of suppliers around our centers of excellence to increase flexibility in our supply chain and deliver shorter overall product lead times.

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

To minimize the risk associated with inventory, we primarily order materials and components only to the extent necessary to satisfy existing customer orders and forecasts covered by the applicable customer contract terms and conditions. We have implemented specific inventory management strategies with certain suppliers, such as "supplier managed inventory" (pulling inventory at the production line on an as-needed basis) and on-site stocking programs. Our initiatives in Lean and Six Sigma also focus on eliminating excess inventory throughout the supply chain. In providing electronics manufacturing services to our customers, we are largely protected from the risk of fluctuations in inventory costs, as these costs are generally passed through to customers.

All of the products we manufacture or assemble require one or more components. In many cases, there may be only one supplier of a particular component. Some of these components could be rationed in response to supply shortages. We work with our suppliers and customers to attempt to ensure continuity in the supply of these components. In cases where unanticipated customer demand or supply shortages occur, we attempt to arrange for alternative sources of supply, where available, or defer planned production in response to the availability of the critical components.

Many of these suppliers are also involved with our Ring Strategy, whereby the supplier locates its operations in close proximity to our centers of excellence in order to reduce lead times and provide greater levels of flexibility to our customers.

Intellectual Property

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

We regard our manufacturing processes and certain designs as proprietary trade secrets and confidential information. We rely largely upon a combination of trade secret laws, non-disclosure agreements with our customers and suppliers and our internal security systems, confidentiality procedures and employee confidentiality agreements to maintain the trade secrecy of our designs and manufacturing processes. Although we take steps to protect our trade secrets, there can be no assurance that misappropriation will not occur.

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

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

Competition

We compete on a global basis to provide electronics manufacturing services and solutions to OEMs across various end markets. Our competitors include a large number of domestic and foreign companies, such as Benchmark Electronics, Flextronics International, Hon Hai Precision Industry, Jabil Circuit and Sanmina-SCI, as well as smaller EMS companies that often have a regional, product, service or industry specific focus. ODMs, companies that provide internally designed products and manufacturing services to OEMs, continue to increase their share of outsourced manufacturing services across several markets and product groups, including personal computer motherboards, notebook and desktop computers, cell phones and smartphones. While we have not, to date, encountered significant direct competition from ODMs in our primary markets, such competition may increase if our business in these markets grows, or if ODMs expand into our primary end markets.

We may also face competition from current and prospective customers who evaluate our capabilities against the merits of manufacturing products internally. We compete with different companies depending on the type of service or geographic area. Some of our competitors may have greater manufacturing, procurement, research and development, and sales and marketing resources than we do. We believe our competitive advantage in our targeted markets is our track record in manufacturing technology, quality, responsiveness and providing cost-effective, value-added services. To remain competitive, we believe we must continue to provide technologically advanced manufacturing services and solutions, maintain quality levels, offer flexible delivery schedules, deliver finished products on time and compete favorably on price. To enhance our competitiveness, we expect to expand our service offerings or capabilities beyond our traditional areas of EMS manufacturing expertise.

Human Resources

As of December 31, 2009, we employed approximately 33,000 permanent and temporary (contract) employees worldwide. Some of our employees in the Czech Republic, Japan, Mexico, Singapore and Spain are represented by unions. Given the variable nature of our project flow and the quick response time required by our customers, it is critical that we are able to quickly ramp our production up or down to maximize efficiency. To achieve this, our approach has been to employ a skilled temporary labor force, as required.

We believe that our employees are our greatest asset. Culturally, we are collaborative, team-oriented, values-driven and results-oriented, with a focus on customer service and quality at all levels. This culture is an important element of our strategy, as we need to be able to fully utilize the intellectual capital of our employees to be successful.

Environmental Matters

We are subject to various federal, state/provincial, local and multi-national laws and regulations, including environmental measures relating to the release, use, storage, treatment, transportation, discharge, disposal and remediation of contaminants, hazardous substances and waste, and health and safety measures related to practices and procedures applicable to the construction and operation of our plants. We believe that we are currently in compliance in all material respects with applicable laws and have management systems in place to maintain compliance.

Our past operations and historical operations of others may have resulted in soil and groundwater contamination on our sites. From time to time we investigate, remediate and monitor soil and groundwater contamination at certain of our operating sites. Generally, Phase I or similar environmental assessments (which involve general inspections without soil sampling or groundwater analysis) were obtained for most of our manufacturing facilities at the time of acquisition or leasing. Where contamination is suspected at sites being acquired, Phase II intrusive environmental assessments (including soil and/or groundwater testing) are usually performed. We expect to conduct Phase I or similar environmental assessments in respect of future property acquisitions and will do Phase II assessments where appropriate. These environmental assessments have not revealed any environmental liability that we believe will have a material adverse effect on our operating results, business, prospects or financial condition, in part because of contractual retention of liability by landlords and former owners at certain sites.

Environmental legislation also operates at the product level. Since 2004, we have developed our Green Services , offering a suite of services that help our customers comply with environmental legislation, such as the European Union's Restriction of Hazardous Substances (RoHS) and Waste Electrical and Electronic Equipment directive (WEEE) laws and China's RoHS legislation.

Backlog

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

Seasonality

Seasonality is reflected in the mix and complexity of the products we manufacture. With a significant exposure to consumer, computing and communications infrastructure products, there will be a level of seasonality in our quarterly revenue patterns for many customers. The consumer electronics business has revenue peaks that are different than those of our communications and enterprise computing market segments. The pace of technological change, the frequency of OEMs transferring business among EMS competitors and the constantly changing dynamics of the global economy will also continue to impact us. As a result of these factors, our efforts to diversify our revenue base, and limited visibility in technology end markets, it is difficult for us to predict the extent and impact of seasonality on our business.

C. Organizational Structure

We conduct our business through subsidiaries operating on a worldwide basis. The following companies are considered significant subsidiaries and each of them is wholly owned:

Celestica Cayman Holdings 1 Limited, a Cayman Islands corporation;

Celestica Cayman Holdings 9 Limited, a Cayman Islands corporation;

Celestica Corporation, a Delaware corporation;

Celestica (Gibraltar) Limited, a Gibraltar corporation;

Celestica Holdings Pte Ltd., a Singapore corporation;

Celestica Hong Kong Limited, a Hong Kong corporation;

Celestica International Inc., an Ontario corporation;

Celestica Liquidity Management Hungary Limited Liability Company, a Hungary corporation;

Celestica (Luxembourg) S.ÀR.L., a Luxembourg corporation;

Celestica (Thailand) Limited, a Thailand corporation;

Celestica (US Holdings) Inc., a Delaware corporation;

IMS International Manufacturing Services Limited, a Cayman Islands corporation;

1282087 Ontario Inc., an Ontario corporation;

1681714 Ontario Inc., an Ontario corporation; and

1755630 Ontario Inc., an Ontario corporation.

D. Description of Property

The following table summarizes our principal facilities as of February 22, 2010. Our facilities are used to provide electronics manufacturing services and solutions, such as the manufacture of printed circuit boards, assembly and configuration of final systems, and other related manufacturing and customer support activities, including warehousing, distribution and fulfillment.

Major locations	Square Footage (in thousands)	Owned/Leased
Ontario[1]	906	Owned/Leased
California[1]	728	Leased
Tennessee[1]	404	Leased
Texas[1]	200	Leased
Mexico[1]	657	Leased
Ireland	133	Leased
Spain	418	Owned
Czech Republic[1]	185	Owned/Leased
Romania	200	Owned
Scotland	58	Leased
China[1]	1,050	Owned/Leased
Malaysia[1]	878	Owned/Leased
Thailand[1]	1,085	Owned/Leased
Singapore[1]	309	Leased
Japan[1]	315	Owned/Leased

(1) This represents multiple locations.

Our principal executive office is located at 844 Don Mills Road, Toronto, Ontario, Canada M3C 1V7. Our principal facilities are certified to ISO 9001 and ISO 14001 (environmental) standards.

Our land and facility leases expire between 2010 and 2060. We currently expect to be able to extend the terms of expiring leases or to find replacement facilities on reasonable terms.

As part of our restructuring plans, we have been focused on increasing production in lower-cost geographies. We will continue to evaluate our operating network to ensure that it meets our customers' requirements. See Item 5, "Operating and Financial Review and Prospects Management's Discussion and Analysis of Financial Condition and Results of Operations Operating Results" for additional information concerning our restructurings.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

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

The following discussion of the financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements, which we prepared in accordance with Canadian GAAP. A reconciliation to U.S. GAAP is disclosed in note 20 to the Consolidated Financial Statements. All dollar amounts are expressed in U.S. dollars. The information in this discussion is provided as of February 19, 2010.

Certain statements contained in the following Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) constitute forward looking statements within the meaning of section 27A of the U.S. Securities Act, section 21E of the U.S. Exchange Act, and applicable Canadian securities legislation, including, without limitation, statements related to our future growth; trends in our industry; our financial or operational results including anticipated expenses, benefits or payments; the redemption of our Senior Subordinated Notes and the expected benefits of such redemption; our financial or operational performance; and our conversion from Canadian GAAP to International Financial Reporting Standards. Such forward looking statements are predictive in nature, and may be based on current expectations, forecasts or assumptions involving risks and uncertainties that could cause actual outcomes and results to differ materially from the forward looking statements themselves. Such forward looking statements may, without limitation, be preceded by, followed by, or include words such as "believes," "expects," "anticipates," "estimates," "intends," "plans," or similar expressions, or may employ such future or conditional verbs as "may", "will", "should" or "would" or may otherwise be indicated as forward looking statements by grammatical construction, phrasing or context. For those statements, we claim the protection of the safe harbor for forward looking statements contained in the U.S. Private Securities Litigation Reform Act of 1995, and in any applicable Canadian securities legislation. Forward looking statements are not guarantees of future performance. You should understand that the following important factors could affect our future results and could cause those results to differ materially from those expressed in such forward looking statements: the effects of price competition and other business and competitive factors generally affecting the electronics manufacturing services (EMS) industry, including changes in the trend for outsourcing; our dependence on a limited number of customers and end markets; variability of operating results among periods; the challenges of effectively managing our operations during uncertain economic conditions, including significant changes in demand from our customers as a result of an uncertain or weak economic environment; our inability to retain or expand our business due to execution problems resulting from significant headcount reductions, plant closures and product transfer activities; the challenge of responding to changes in customer demand; the delays in the delivery and/or general availability of various components and materials used in our manufacturing process; our dependence on industries affected by rapid technological change; our ability to successfully manage our international operations; the challenge of managing our financial exposures to foreign currency fluctuations; and the risk of potential non-performance by counterparties, including but not limited to financial institutions, customers and suppliers. These and other risks and uncertainties, as well as other information related to the company, are discussed in our various public filings at www.sedar.com and www.sec.gov, including our Annual Report on Form 20-F and subsequent reports on Form 6-K filed with the U.S. Securities and Exchange Commission and our Annual Information Form filed with the Canadian Securities Commissions.

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

Overview

What Celestica does:

We deliver innovative supply chain solutions to original equipment manufacturers (OEMs) in the consumer, enterprise computing, communications, industrial, aerospace and defense, healthcare and green technology markets. We believe our services and solutions will help our customers reduce their time to market and eliminate waste from their supply chains, resulting in lower product lifecycle costs, better financial returns and improved competitive advantage in their respective business environments.

Our global operating network spans the Americas, Asia and Europe. In an effort to drive speed and flexibility for our customers, we conduct the majority of our business through full-service centers of excellence, strategically located around the world. Through our Ring Strategy, we strive to align a network of suppliers in proximity to our centers of excellence in order to increase flexibility in our supply chain, deliver shorter overall product lead times and reduce inventory. We operate other sites around the globe with specialized supply chain management and high-mix/low-volume manufacturing capabilities to meet the specific production and product lifecycle requirements of our customers.

Through our centers of excellence and the deployment of our Total Cost of Ownership (TCOO) Strategy, we strive to provide our customers with the lowest total cost throughout the product lifecycle. This approach enables us to focus our capabilities on broad solutions that address the total cost of design, sourcing, production, delivery and after market services for our customers' products, which can help drive greater levels of efficiency and improved service levels throughout our customers' supply chains.

Our targeted end markets include consumer, enterprise computing, communications, industrial, aerospace and defense, healthcare and green technology. We offer a full range of services to our customers including design, manufacturing, engineering, order fulfillment, logistics and after-market services. We are focused on expanding these service offerings across our major markets with existing and new customers. In particular, we intend to invest in assets and resources to expand our design, engineering and after-market service capabilities to support future growth opportunities. Our recent acquisition of Scotland-based Invec Solutions Limited will enhance our after market services offering.

Although we supply products and services to over 100 OEMs, we depend upon a relatively small number of customers for a significant portion of our revenue. In the aggregate, our top 10 customers represented 71% of revenue in 2009 and our largest customer represented 17% of revenue. The products we manufacture can be found in a wide variety of end products, including smartphones; networking, wireless and telecommunications equipment; storage devices; servers; aerospace and defense electronics, such as in-flight entertainment and guidance systems; healthcare products; audiovisual equipment, including set-top boxes and flat-panel televisions; printers and related supplies; peripherals; gaming products; and a range of industrial and green technology electronic equipment.

We believe that our principal strengths include our advanced capabilities in the areas of technology and quality, our flexible service offerings, our financial strength and our market-specific supply chain management capabilities. We offer a wide range of advanced manufacturing technologies, test capabilities and processes to support our customers' needs. We believe our size, geographic reach and expertise in supply chain management allow us to purchase materials effectively and to deliver products to customers faster, thereby reducing overall product costs and reducing the time-to-market.

We believe we are well positioned to compete effectively in the EMS industry, given our financial strength and our position as one of the major EMS providers worldwide. Our priorities include to (i) grow revenue through organic program wins and acquisitions; (ii) improve financial results, including operating margins, return on invested capital and cash flow performance; (iii) develop and enhance profitable and key relationships with leading OEMs across our strategic target market segments; (iv) broaden the range of the services we offer to OEMs; and (v) expand capabilities in services and technologies that diversify and expand our revenue base beyond our traditional areas of EMS manufacturing expertise. We believe that success in these areas will result in improved financial performance which will enhance shareholder value.

Overview of business environment:

The EMS industry is highly competitive with multiple global EMS providers competing for the same customers and programs. Although the industry is characterized by large revenue opportunities, operating margins are comparatively low and aggressive pricing pressure is a common business dynamic in the industry. Capacity utilization is an important factor affecting operating margins. The amount of available manufacturing capacity and the location of that capacity are vital considerations for EMS providers. The EMS industry is also working capital intensive. As a result, we believe that return on invested capital, which is primarily affected by operating margins and investments in working capital and equipment, is an important metric for measuring an EMS provider's financial performance.

EMS companies are exposed to a variety of customers and end markets. Demand visibility is limited which makes revenue in each of our end markets difficult to predict. This is due primarily to the shorter product lifecycles inherent in technology markets, rapid shifts in technology for our customers' products and general economic conditions. Recent global economic conditions and uncertainty, including the global economic downturn and volatile capital markets, have negatively impacted the operations of most EMS providers, including Celestica.

Impact of current economic environment:

In 2009, as a result of the global economic downturn, revenue declined year-over-year in all end markets that we serve, other than the consumer market, which was relatively flat. Although the global economy has recovered somewhat from the recent economic and financial crisis, the economic outlook remains uncertain with continued low end market visibility for our customers. This environment can pose significant risk to our business due to continuing weak demand or customer financial stress or bankruptcy. While we have operated relatively well during this period, we expect that this uncertainty will continue to impact our revenue, operating profitability and cash flow. As customers adjust their strategies during this time, we continue to experience increased pricing pressure and other competitive pressures. Despite the difficult end-market environment, recent demand increases have resulted in some component and material shortages, as well as extended lead times. If this trend accelerates, similar shortages could impact our financial results. The trend towards outsourcing continues to change as some customers have brought their production back in-house to fill capacity, while other customers have chosen to increase their outsourcing to reduce costs. Other customers have shifted their production between EMS providers based on pricing concessions or their preference for consolidating their supply chain. This environment has resulted in additional restructuring actions and site closures as we respond to our customers' actions. The uncertain environment has also impacted foreign currency rates, the fair value of our financial instruments and the returns we earn on our pension assets, among other items. The global economic uncertainty has impacted, and we expect will continue to impact, the financial condition of some of our customers and suppliers. We will continue to closely monitor our suppliers' and customers' financial condition and creditworthiness in an effort to ensure continuity of supply and to limit the impact from companies that have or may become financially distressed. Although we have processes in place to limit our exposure to financially weaker customers and suppliers, our efforts may not eliminate all risks. The interruption of supply from a raw materials supplier, especially for single sourced components, could have a significant impact on our operations, and on our customers, if we are unable to deliver finished products in a timely manner.

Summary of 2009

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

	Year ended December 31		
	2007	**2008**	**2009**
Revenue	$ 8,070.4	$ 7,678.2	$ 6,092.2
Gross profit	422.4	531.1	429.8
Selling, general and administrative expenses (SG&A)[1]	271.7	292.0	244.5
Net earnings (loss)	(13.7)	(720.5)	55.0
Basic earnings (loss) per share	$ (0.06)	$ (3.14)	$ 0.24
Diluted earnings (loss) per share	$ (0.06)	$ (3.14)	$ 0.24

	December 31	
	2008	2009
Cash and cash equivalents	$ 1,201.0	$ 937.7
Total assets	3,786.2	3,106.1
Total long-term financial liabilities	733.1	222.8

(1) On January 1, 2009, we adopted CICA Handbook Section 3064, "Goodwill and intangible assets." For 2007 and 2008, we have retroactively reclassified $23.4 million and $11.8 million, respectively, of computer software amortization from depreciation expense, included in SG&A, to amortization of intangible assets.

Revenue for 2009 of $6.1 billion decreased 21% from $7.7 billion in 2008. Revenue decreased in all end markets, other than the consumer market, which was relatively flat compared to the prior year. The slower economic environment has continued to impact end-market demand, resulting in lower production volumes. Our production volumes also vary each period because of the impacts associated with program wins or losses with new, existing or disengaging customers, changes in demand for the products we manufacture, and seasonality, among other factors. The consumer end market was our largest segment, representing 29% of revenue for 2009.

Gross profit for 2009 decreased 19% from 2008. The decrease in gross profit was primarily due to lower volumes, partially offset by benefits from cost reductions, restructuring actions and increased productivity. Gross margin as a percentage of revenue increased to 7.1% in 2009 compared to 6.9% in 2008.

SG&A for 2009 decreased 16% from 2008 primarily due to lower foreign exchange losses, benefits from cost reductions and restructuring actions, and lower IT and consulting costs.

Gross profit and SG&A for 2009 were negatively impacted by $5.2 million and $5.7 million, respectively, relating to a mark-to-market adjustment for certain restricted share unit awards vesting in the first quarter of 2010, which we plan to settle with cash. Cash-settled awards are accounted for as liabilities and are remeasured at market value at each reporting date until the settlement date. Management's current intention is to settle future restricted share unit awards in the form of shares purchased in the open market and, as a result, will continue to account for these awards as equity awards.

In January 2008, we announced that we would incur restructuring charges of between $50 million and $75 million. In July 2009, we announced further restructuring charges of between $75 million and $100 million. Combined, we expect to incur total restructuring charges of between $150 million and $175 million associated with this program. During 2008 and 2009, we recorded total restructuring charges of $118.4 million. We expect to complete these restructuring actions by the end of 2010.

During 2009, we paid $495.8 million in cash, excluding accrued interest, to repurchase our Senior Subordinated Notes due 2011 (2011 Notes) and recorded a gain of $19.5 million in other charges. We expect the redemption will result in an estimated benefit to our net interest expense of approximately $14 million in 2010.

Our net loss for 2008 of $720.5 million included a write-off of goodwill of $850.5 million.

In January 2010, we announced our intention to redeem our outstanding Senior Subordinated Notes due 2013 (2013 Notes) at a price of 103.813% of the principal amount of $223.1 million. We expect to complete the redemption in the first quarter of 2010 using existing cash resources. Based on the carrying value at December 31, 2009 and the redemption price, we expect to incur a loss of approximately $9 million which we will record in other charges. We expect the redemption will reduce our net interest expense by approximately $4 million per quarter after redemption.

Other performance indicators:

In addition to the key financial, revenue and earnings related metrics described above, management regularly reviews the following metrics:

Cash Cycle Days:

	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09
Days in accounts receivable	44	42	43	50	56	50	49	46
Days in inventory	42	42	40	41	50	47	42	40
Days in accounts payable	(53)	(52)	(53)	(57)	(63)	(55)	(57)	(56)
Cash cycle days	33	32	30	34	43	42	34	30

Days in accounts receivable (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 inventory, less the days in A/P. Beginning with the fourth quarter of 2009, we excluded accrued liabilities from the average A/P balance when calculating A/P days. We made this change to better align our definition of cash cycle days with that used by some of our major competitors. We have recalculated our days in A/P and our cash cycle days for prior periods to reflect this change.

Cash cycle days for the fourth quarter of 2009 decreased from the same period in 2008 by four days. A/R and inventory days improved by four days and one day, respectively, from the fourth quarter of 2008. The year-over-year improvement in A/R reflects the continued strong collection efforts driven in part by changes in customer payment terms. Cash cycle days for the fourth quarter of 2009 improved four days compared to the third quarter of 2009, primarily reflecting improved inventory turns and continued strong collections.

Management also reviews adjusted net earnings, adjusted operating margin (EBIAT), return on invested capital (ROIC) and free cash flow metrics, which are referred to in the non-GAAP measures on page 51.

Critical Accounting Policies and Estimates

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

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. We evaluate our estimates and assumptions on a regular basis, based on historical experience and other relevant factors. Actual results could differ materially from these estimates and assumptions, especially in light of the current economic environment and uncertainties.

Significant accounting policies and methods used in the preparation of the financial statements are described in note 2 to the Consolidated Financial Statements. Effective January 1, 2009, we adopted the revised accounting standards for goodwill and intangible assets, which are summarized in note 2 to the Consolidated Financial Statements. We have retroactively reclassified $34.0 million of computer software assets on our consolidated balance sheet at December 31, 2008 from property, plant and equipment to intangible assets. We have also reclassified $11.8 million of computer software amortization on our consolidated statement of operations from depreciation expense, included in SG&A, to amortization of intangible assets for 2008 ($23.4 million for 2007).

Inventory valuation:

We value our inventory on a first-in, first-out basis at the lower of cost and net realizable value. We regularly adjust our inventory valuation based on shrinkage and management's estimates of net realizable value, taking into consideration factors such as inventory aging and future demand for the inventory. A change to these assumptions could impact the valuation of inventory and have a resulting impact on gross margins. We procure inventory based on specific customer orders and forecasts. If actual market conditions or our customers' product demands are less favourable than those projected, additional valuation adjustments may be required for the related customer. We attempt to utilize excess inventory in other products we manufacture or to return the inventory to the supplier or customer. Our success in these recovery efforts may result in the reversal of previously recorded inventory valuations.

Income taxes:

We have recorded an income tax expense or recovery based on the income earned or loss incurred in each tax jurisdiction and the substantively enacted tax rate applicable to that income or loss. In the ordinary course of business, there are many transactions for which the ultimate tax outcome is uncertain and estimations are required for exposures related to examinations by taxation authorities. We review these transactions and exposures and record tax liabilities for open years based on our assessment of many factors, including past experience and interpretations of tax law applied to the facts of each matter. The determination of tax liabilities is subjective and generally involves a significant amount of judgment. The final tax outcome of these matters may be different from the estimates originally made by management in determining our income tax provisions. We recognize a tax benefit related to tax uncertainties when it is probable based on our best estimate of the amount that will ultimately be realized. A change to these estimates could impact the income tax provision.

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

Goodwill:

To the extent we have goodwill, we perform our annual impairment test in the fourth quarter of each year (to correspond with our planning cycle), and more frequently if events or changes in circumstances indicate that an impairment loss may have been incurred. If our market capitalization is less than our book value for a sustained period of time, it could be an indicator that an impairment loss has occurred. We test impairment, using the two-step method, at the reporting unit level by comparing the reporting unit's carrying amount to its fair value. We estimate the fair value of the reporting units using a combination of a market capitalization approach, a multiples approach and discounted cash flows. The process of determining fair values is subjective and requires management to exercise judgment in making assumptions about future results, including revenue and expense projections, discount rates and market multiples at the reporting unit level. A significant change to these assumptions could impact the fair value of the reporting units resulting in a change to the impairment charge. During the fourth quarter of 2008, we conducted our annual goodwill assessment, and wrote off the entire goodwill balance. At December 31, 2009, our goodwill balance was zero. See further details on page 39 and in note 10(b) to the Consolidated Financial Statements.

Long-lived assets:

We estimate the useful lives of property, plant and equipment and intangible assets based on the nature of the asset, historical experience and the terms of any related supply contracts. We perform an annual impairment test on long-lived assets in the fourth quarter of each year (to correspond with our planning cycle), and more frequently if events or changes in circumstances indicate that an impairment loss has occurred. We test impairment, using the two-step method, by comparing the carrying amount of an asset, or group of assets, to the undiscounted cash flows from the use and eventual disposal of the asset or group of assets. If the carrying amount exceeds the undiscounted cash flows, we perform step two by comparing the fair value of the asset or group of assets to its carrying amount to determine the amount of impairment. We estimate fair value using discounted cash flows or estimates of market values for certain assets, where available. Revenue and expense projections are discounted using risk-adjusted rates. We work with independent brokers to obtain the market prices to support our real property values. The process of determining fair values is subjective and requires management to exercise judgment in making assumptions about future results, including revenue and expense projections, discount rates and market values. A significant change to these assumptions and estimates could impact the estimated useful lives or valuation of long-lived assets resulting in a change to depreciation or amortization expense and the impairment charge. We recorded a long-lived asset impairment loss in 2009. See note 10(c) to the Consolidated Financial Statements. Future impairment tests may result in further impairment charges.

Restructuring charges:

We have recorded restructuring charges relating to workforce reductions, facility consolidations and costs associated with exiting businesses. The restructuring charges include employee severance and benefit costs, costs related to leased facilities that have been vacated, owned facilities which are no longer used and are available-for-sale, costs of leased equipment that are no longer used, impairment of owned equipment available-for-sale, and impairment of related intangible assets. The recognition of these charges requires management to make certain judgments and estimates regarding the nature, timing and amounts associated with these plans. For owned facilities and equipment, the impairment loss recognized is based on the fair value less costs to sell, with fair value estimated based on existing market prices for similar assets. For leased facilities that have been vacated, the liability for lease obligations is calculated on a discounted basis based on future lease payments less estimated sublease income. To estimate future sublease income, we work with independent brokers to determine the estimated tenant rents we could expect to realize. The estimated liability could change subsequent to its initial recognition, requiring adjustments to the restructuring expense and liability recorded. At the end of each reporting period, we evaluate the appropriateness of the remaining accrued balances.

Pension and non-pension post-employment benefits:

We have pension and non-pension post-employment benefit costs and liabilities, which are determined from actuarial valuations. Actuarial valuations require management to make certain judgments and estimates relating to expected plan investment performance, salary escalation and compensation levels at the time of retirement, retirement ages, the discount rate used in measuring the liability and expected healthcare costs. Actual future experience will differ from these assumptions, and the differences may be material. There is no assurance that our future benefit plans will be able to earn the assumed rate of return. Market driven changes may result in changes to our discount rates and other variables which could lead us to future contributions that differ significantly from our estimates.

The fair values of our pension assets were based on a measurement date of December 31, 2009. We evaluate these assumptions on a regular basis, taking into consideration current market conditions and historical data. A change in these factors could impact future pension expense and funding requirements. See notes 2(k) and 13 to the Consolidated Financial Statements.

Operating Results

Our annual and quarterly operating results vary from period to period as a result of the level and timing of customer orders, fluctuations in materials and other costs, and the relative mix of value-add products and services. The level and timing of customer orders will vary due to variation in demand for their products, general economic conditions, their attempts to balance their inventory, availability of materials and changes in their supply chain strategies or suppliers. Our annual and quarterly operating results are affected by: the mix, volumes and seasonality of business in each of our end markets; price competition; mix of manufacturing value-add; capacity utilization; manufacturing effectiveness and efficiency; the degree of automation used in the assembly process; availability of components or labor; costs associated with ramping new programs; customer product delivery requirements; costs and inefficiencies of transferring programs between facilities; the loss of programs and customer disengagements; the impact of foreign exchange fluctuations; the performance of third-party providers; the ability to manage inventory, production location and equipment effectively; the ability to manage changing labor, component, energy and transportation costs effectively; the timing of expenditures in anticipation of forecasted sales levels; the timing of acquisitions and related integration costs; and other factors.

In the EMS industry, customers can often award new programs or shift programs to other EMS providers for a variety 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, consolidation among OEMs, as well as decisions to adjust the volume of business being outsourced. Our operating results for each period include the impacts associated with program wins or losses with new, existing or disengaging customers. Customer or program transfers between EMS competitors are part of the competitive nature of our industry. Significant period to period variations can result from the timing of new programs reaching full production, existing programs being fully transferred to a competitor and programs reaching end-of-life.

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

	Year ended December 31		
	2007	**2008**	**2009**
Revenue	100.0%	100.0%	100.0%
Cost of sales	94.8	93.1	92.9
Gross profit	5.2	6.9	7.1
SG&A[(1)]	3.4	3.8	4.0
Amortization of intangible assets[(1)]	0.6	0.4	0.4
Other charges	0.6	11.5	1.1
Interest expense, net of interest income	0.6	0.5	0.6
Earnings (loss) before income taxes		(9.3)	1.0
Income taxes expense	(0.2)	(0.1)	(0.1)
Net earnings (loss)	(0.2)%	(9.4)%	0.9%

(1) On January 1, 2009, we adopted CICA Handbook Section 3064, "Goodwill and intangible assets." For 2007 and 2008, we have retroactively reclassified $23.4 million and $11.8 million, respectively, of computer software amortization from depreciation expense, included in SG&A, to amortization of intangible assets.

Revenue:

Revenue for 2009 of $6.1 billion decreased 21% from $7.7 billion for 2008. Revenue decreased in all end markets, other than the consumer market, which was relatively flat compared with 2008. The slower economic environment has continued to impact end-market demand, resulting in lower production volumes. Revenue from our telecommunications and enterprise communications markets also reflected program disengagements or program transfers back to customers or to competitors.

Revenue for 2008 of $7.7 billion decreased 5% from $8.1 billion for 2007. The decrease in revenue was due to lower volumes associated with weaker end-market demand, primarily in the servers, enterprise communications and storage end markets, which more than offset the increase in revenue primarily from customers in our consumer, telecommunications and industrial end markets. The amount of revenue reduction for 2008 from customer disengagements, primarily in the enterprise communications end market, was approximately 5%.

The following table shows the end markets we serve as a percentage of revenue for the periods indicated:

	Year ended December 31		
	2007	**2008**	**2009**
Consumer	19%	23%	29%
Enterprise Communications	28%	25%	21%
Telecommunications	14%	15%	15%
Servers	19%	16%	13%
Storage	10%	10%	12%
Industrial, Aerospace and Defense, and Healthcare	10%	11%	10%

Beginning January 1, 2009, we included certain customer programs, such as office products, automotive and healthcare, in our industrial, aerospace and defense, and healthcare category. Previously, we included these customer programs in our consumer category. We have recalculated our prior period percentages to conform to the current period's presentation. For each of 2007 and 2008, we reclassified 3% of revenue from our consumer end-market category to industrial, aerospace and defense, and healthcare. We may change the classification or grouping of our end markets in the future to reflect changes to how we manage these markets and the dynamics of those businesses.

Our revenue and operating results vary from period to period depending on the level of demand and seasonality in each of our end markets, the mix and complexity of the products being manufactured, and the impact associated with program wins or losses with new, existing or disengaging customers, among other factors.

Although we have diversified our end markets over the past several years, we are dependent on a limited number of customers in the consumer, communications (comprised of enterprise communications and telecommunications) and enterprise computing (comprised of servers and storage) end markets for a substantial portion of our revenue.

The consumer market was our largest end market in 2009, representing 29% of total revenue, with over half of our consumer business generated by smartphones. Our largest customer is categorized in the consumer segment and represented 17% of total revenue in 2009. Revenue from our consumer market in 2009 was relatively flat compared to the prior year and reflected new program wins, primarily in the smartphone markets, which offset the declines from customers impacted by the slower general economic environment. Revenue from our enterprise communications market in 2009 declined from 2008 due to a combination of weaker customer end markets and our 2008 decision to disengage from programs generating unacceptable returns. All of our other end markets continued to be negatively impacted by the slower economy, although we have seen some modest improvements during the second half of 2009.

For 2009, one customer in our consumer end market individually represented more than 10% of total revenue. Research in Motion accounted for 17% of total revenue for 2009. For 2008, no customer represented more than 10% of total revenue. This change also increased our customer concentration percentages below.

Whether any of our customers account for more than 10% of revenue in any period depends on various factors affecting our business with that customer or with other customers, including overall changes in demand for a customer's product, seasonality of business, new program wins or losses, the phasing in or out of programs, price competition and changes in our customers' supplier base or supply chain strategies.

The following table shows our customer concentration as a percentage of total revenue for the periods indicated:

	Year ended December 31		
	2007	**2008**	**2009**
Top 10 customers	61%	63%	71%

Our recent success in the smartphone market, driven primarily by new program wins, has increased our customer concentration as a percentage of total revenue. In general, business in the consumer segment, and in particular smartphones, is characterized by shorter product lifecycles, significant increases or decreases in program volumes based on strength in end-market demand, rapid changes in consumer preferences for these products and devices, and greater ease in shifting these products among EMS competitors. The increased exposure to this segment may make revenue more volatile and could result in increased risk to our financial results.

We are dependent upon continued revenue from our largest customers. There can be no assurance that revenue from these or any other customers will not decrease in absolute terms or as a percentage of total revenue. Any material decrease in revenue from these or other customers could have a material adverse effect on our results of operations. The global economic uncertainty continues to adversely affect our customers and has negatively impacted our financial results. Recent demand increases in some end markets have resulted in component and material shortages, as well as extended lead times. If this trend accelerates, similar shortages could impact our financial results.

We believe that delivering sustainable revenue growth depends 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 actively pursue new customers to expand our end-market penetration and diversify our end-market mix. To achieve this, we are focused on offering innovative supply chain solutions which include design, manufacturing, engineering, order fulfillment, logistics and after market services. We may also seek acquisition opportunities in order to diversify our customer base, enhance our capabilities, or add new technologies or capabilities to our offerings. In our 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. We cannot assure the timely replacement of 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. If they do not, this could have a material adverse impact on our results of operations.

Gross profit:

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

	Year ended December 31		
	2007	**2008**	**2009**
Gross profit (in millions)	$ 422.4	$ 531.1	$ 429.8
Gross margin	5.2%	6.9%	7.1%

Gross profit for 2009 decreased 19% from 2008. The decrease in gross profit was due primarily to lower volumes, partially offset by continued operational improvements and increased productivity. Gross margin as a percentage of revenue improved for 2009 compared to 2008, reflecting primarily continued operational improvements.

Gross profit for 2008 increased 26% from 2007 primarily due to operational improvements in Mexico and Europe. In addition, we continued to benefit from cost reductions, restructuring actions, the impact of renegotiating or exiting unprofitable accounts and the streamlining and simplifying of processes throughout the company.

Multiple factors cause gross margin to fluctuate including: product volume and mix; production efficiencies; utilization of manufacturing capacity; 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; cost structures at individual sites; pricing pressures from competitors; foreign exchange volatility; the availability of components; and other factors.

Selling, general and administrative expenses:

SG&A for 2009 decreased 16% to $244.5 million (4.0% of revenue) compared to $292.0 million (3.8% of revenue) in 2008. The decrease in SG&A for 2009 was primarily a result of lower foreign exchange losses, overall cost reductions including lower IT and consulting costs, and benefits from restructuring actions. In 2009, our foreign exchange losses were $1.1 million compared to $16.4 million in 2008. These losses were significantly lower in 2009 as a result of our successful balance sheet hedging program, as well as a more stable currency environment. The increase in SG&A as a percentage of revenue for 2009 compared to 2008 primarily reflects the fixed nature of some of our SG&A expenses, as well as the lower revenue levels in 2009.

SG&A increased 7% to $292.0 million (3.8% of revenue) in 2008 compared to $271.7 million (3.4% of revenue) in 2007. The increase in SG&A for 2008 was due primarily to foreign exchange losses, mainly in the second half of 2008 for certain foreign currencies, and higher variable compensation costs, partially offset by lower IT consulting and support costs and capital tax recoveries. The increase in SG&A as a percentage of revenue reflects higher costs, as well as the lower revenue levels in 2008.

Each quarter, we incur unrealized foreign exchange gains or losses on the translation of foreign currency denominated asset and liability balances to U.S. dollars and these amounts are included in SG&A. The amount of these gains or losses fluctuates from quarter to quarter and is dependent on currency markets and the value of our foreign currency denominated asset or liability positions in each period. We also incur realized transactional foreign exchange gains or losses in the normal course of business. To mitigate the foreign exchange translation volatility that impacted us in the second half of 2008, we started to enter into forward exchange contracts to partially hedge our significant balance sheet exposures in certain currencies. Since the balance sheet hedges are based on forecasts of the future position of net assets or liabilities denominated in foreign currencies, they may not mitigate the full impact of any translation impacts in the future. There is no assurance that our hedging transactions will be successful.

Stock-based compensation:

We recorded the following stock-based compensation costs, included in cost of sales and SG&A, for the periods indicated (in millions):

	Year ended December 31		
	2007	2008	2009
Stock option awards	$ 7.0	$ 6.6	$ 5.9
Restricted share unit awards[(a)]	6.2	16.8	33.0
	$ 13.2	$ 23.4	$ 38.9

(a) We have the option to settle restricted share unit awards in the form of shares that we purchase in the open market or cash. Historically, we have settled these awards with shares purchased in the open market. The cost of equity-settled awards is based on the market value of our subordinate voting shares at the time of grant. We amortize this cost to compensation expense over the vesting period on a straight-line basis, with a corresponding charge through contributed surplus. During the fourth quarter of 2009, we decided to settle the share unit awards vesting in the first quarter of 2010 with cash. Cash-settled awards are accounted for as liabilities and remeasured based on our share price at each reporting date until the settlement date. As a result of our decision to settle these awards with cash, we reclassified the accumulated balance, representing the grant date fair value of vested awards, recorded in contributed surplus to accrued liabilities. We adjusted this liability to the market value of our underlying subordinate voting shares at December 31, 2009, with a corresponding charge to compensation expense. We recorded a mark-to-market adjustment of $10.9 million (cost of sales $5.2 million; SG&A $5.7 million) in the fourth quarter of 2009, which is included in the $33.0 million balance above. Management's current intention is to settle future share unit awards in the form of shares purchased in the open market and, as a result, will continue to account for these awards as equity awards.

Other charges:

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

	Year ended December 31		
	2007	2008	2009
Restructuring charges	$ 37.3	$ 35.3	$ 83.1

In January 2008, we announced restructuring charges of between $50 million and $75 million would be recorded throughout 2008 and 2009. In light of the continued uncertain economic environment, we determined that further restructuring actions were required to improve our overall utilization and reduce overhead costs. In July 2009, we announced additional restructuring charges of between $75 million and $100 million. Combined, we expect to incur total restructuring charges of between $150 million and $175 million associated with this program. We recorded $118.4 million of restructuring charges during 2008 and 2009. Of that amount, $83.1 million was recorded in 2009. We expect to complete these restructuring actions by the end of 2010. As we complete these restructuring actions, we expect our overall utilization and operating efficiency to improve. As we finalize the detailed plans of these restructuring actions, we will recognize the related charges. The recognition of these charges requires management to make certain judgments and estimates regarding the amount and timing of restructuring charges or recoveries. Our estimated liability could change subsequent to its recognition, requiring adjustments to our recorded expense and liability amounts.

Our restructuring actions include consolidating facilities and reducing our workforce, primarily in the Americas, Europe and the Philippines. The majority of the employees terminated were manufacturing and plant employees. For leased facilities that we no longer use, the lease costs included in the restructuring costs represent future lease payments less estimated sublease recoveries. Adjustments were made to lease and other contractual obligations to reflect incremental cancellation fees paid for terminating certain facility leases and to reflect changes in the accruals for other leases due to delays in the timing of sublease recoveries, changes in estimated sublease rates, or changes in use, relating principally to facilities in the Americas. We expect our long-term lease and other contractual obligations to be paid out over the remaining lease terms through 2015. Our restructuring liability is recorded in accrued liabilities. All cash outlays have been, and currently foreseeable outlays are expected to be, funded from cash on hand.

We evaluate our operations from time to time and may propose future restructuring actions or divestitures as a result of changes in the market place and/or our exit from less profitable or non-strategic operations.

(ii)

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

	Year ended December 31		
	2007	**2008**	**2009**
Goodwill impairment	$	$ 850.5	$
Long-lived asset impairment	15.1	8.8	12.3

Goodwill impairment:

We perform our goodwill impairment test in the fourth quarter of each year. We test impairment using the two-step method, at the reporting unit level, by comparing the reporting unit's carrying amount to its fair value (step one). To the extent a reporting unit's carrying amount exceeds its fair value, we may have an impairment of goodwill. We measure impairment by comparing the implied fair value of goodwill, determined in a manner similar to a purchase price allocation, to its carrying amount (step two).

During the fourth quarter of 2008, we performed our annual goodwill impairment test. All of our goodwill was allocated to our Asia reporting unit. Our goodwill balance prior to the impairment charge was $850.5 million and was established primarily as a result of an acquisition in 2001.

We completed our step one analysis using a combination of a market capitalization approach and a multiples approach which was then validated with a discounted cash flow. The market capitalization approach used our publicly traded stock price to determine fair value which we allocated to the Asia reporting unit on a pro rata basis based on earnings. The multiples approach used comparable market multiples, which were based on an average of our major competitors trading multiples, to determine fair value. Both of the fair values determined by the market approaches were adjusted upward for a control premium, an estimated amount a buyer would pay over the trading price of the company's shares to gain control of the company. We applied a 20% control premium to the fair values, which we believe is a reasonable estimate based on past transactions in the EMS industry at December 31, 2008. The discounted cash flow method used our three-year revenue and expense projections to determine fair value. These projections were based on site submissions and input from our customer teams during our plan cycle in the fourth quarter of 2008. Our projections were negatively impacted by customers who decreased their demand forecasts as the global economy deteriorated in the fourth quarter of 2008. Subsequent to our internal plan submissions, we decreased our future internal projections in response to the economic downturn and the overall uncertainties and lack of visibility at that time. We discounted our three-year projections using a 27% discount rate. At that time, the economic environment negatively impacted our ability to forecast future demand and in turn resulted in our use of a higher discount rate, reflecting the risk and uncertainty in the markets. We averaged the fair values derived from the above approaches to determine the estimated fair value of the Asia reporting unit.

The results of our step one analysis indicated potential impairment in our Asia reporting unit, which was corroborated by a combination of factors including a significant and sustained decline in our market capitalization, which was significantly below our book value, and the deteriorating macro environment, which resulted in a decline in expected future demand. The process of determining fair value was subjective and required management to exercise a significant amount of judgment in determining future growth rates, discount rates and tax rates, among other factors. We therefore performed the second step of the goodwill impairment assessment to quantify the amount of impairment. We engaged an independent third-party consultant to assist with our step two analysis. This involved calculating the implied fair value of goodwill, determined in a manner similar to a purchase price allocation, and comparing the residual amount to the carrying amount of goodwill. Based on our analysis incorporating the declining market capitalization in 2008, as well as the significant end-market deterioration and economic uncertainties impacting expected future demand at that time, we concluded that the entire goodwill balance as of December 31, 2008 of $850.5 million was impaired. The goodwill impairment charge was non-cash in nature and did not affect our liquidity, cash flows from operating activities or our compliance with debt covenants.

During the fourth quarter of 2007, we performed our annual goodwill assessment and determined there was no impairment. At December 31, 2009, our goodwill balance was zero.

Long-lived asset impairment:

During the fourth quarter of each year, we conduct our annual recoverability review of long-lived assets. Impairment is measured as the excess of the carrying amount over the fair value of the assets determined using discounted cash flows and estimated market values, where available. We recorded an impairment charge of $12.3 million in 2009 (2008 $8.8 million; 2007 $15.1 million).

(iii) We have recorded the following charges related to the debt repurchases for the periods indicated (in millions):

	Year ended December 31		
	2007	**2008**	**2009**
Gain on repurchase of Senior Subordinated Notes	$	$ (7.6)	$ (19.5)
Write-down of embedded prepayment option			16.7
	$	$ (7.6)	$ (2.8)

In March 2009, we paid $149.7 million, excluding accrued interest, to repurchase 2011 Notes with a principal amount of $150.0 million and recognized a gain of $9.1 million. In November 2009, we paid $346.1 million, excluding accrued interest, to repurchase 2011 Notes with a principal amount of $339.4 million and recognized a gain of $10.4 million. The gains on the repurchases were measured based on the carrying value of the repurchased portion of the 2011 Notes on the dates of repurchase. We also terminated our interest rate swap agreements related to the 2011 Notes in February 2009 and received $14.7 million in cash, excluding accrued interest, as settlement of these agreements. In connection with the termination of the swap agreements, we discontinued fair value hedge accounting on the 2011 Notes in the first quarter of 2009 and recorded a write-down in the carrying value of the embedded prepayment option on the 2011 Notes.

In January 2010, we announced our intention to redeem our outstanding 2013 Notes at a price of 103.813% of the principal amount of $223.1 million. We expect to complete the redemption in the first quarter of 2010. Based on the carrying value at December 31, 2009 of $222.8 million and the redemption price, we expect to incur a loss of approximately $9 million which we will record in other charges.

Interest expense on long-term debt and other interest income/expense:

The following table is a breakdown of interest expense or income for the periods indicated (in millions):

	Year ended December 31		
	2007	2008	2009
Interest costs on credit facilities and Senior Subordinated Notes (Notes)(i)	$ 67.0	$ 56.8	$ 44.3
Mark-to-market adjustment and amortization of basis adjustment(ii)	(0.6)	1.0	(9.0)
Interest expense on long-term debt	$ 66.4	$ 57.8	$ 35.3
Interest income, net of other interest expense(iii)	$ 15.2	$ 15.3	$ 0.3

(i) Our interest expense consists primarily of the interest costs on the Notes. The interest rate on the 2013 Notes was fixed at 7.625%. We entered into agreements to swap the fixed interest rate on our 2011 Notes for a variable rate. We terminated these interest rate swap agreements on the 2011 Notes in February 2009. The average interest rate on the 2011 Notes for 2009 through to redemption in November 2009 was 7.0% (2008 6.5%; 2007 8.3%, after reflecting the variable interest rate swaps).

In November 2009, we paid $346.1 million to redeem the outstanding 2011 Notes. We expect the redemption will result in an estimated benefit to our net interest expense of approximately $14 million in 2010. Assuming we complete the redemption of our 2013 Notes in the first quarter of 2010, we expect to further reduce our interest expense by approximately $4 million per quarter after the redemption.

(ii) We mark-to-market the embedded prepayment options in our Notes until the options are extinguished. The mark-to-market adjustment fluctuates each period as it is dependent on market conditions, including future interest rates, implied volatilities and credit spreads. The majority of the 2009 balance arises from the amortization of the historical fair value adjustment on the 2011 Notes, from the date of discontinuing fair value hedge accounting to extinguishment, which reduced interest expense on long-term debt. We also applied fair value hedge accounting to our interest rate swaps and our hedged debt obligation (2011 Notes) until February 2009. The change in fair values each period were recorded in interest expense on long-term debt, except for the write-down of the embedded prepayment option due to hedge de-designation or planned debt redemption which we recorded in other charges.

(iii) Interest income earned on cash balances throughout 2009 was significantly lower compared to previous years primarily due to lower rates and lower cash balances.

Income taxes:

Income tax expense for 2009 was $5.4 million on earnings before tax of $60.4 million compared to an income tax expense of $5.0 million for 2008 on losses before tax of $715.5 million and income tax expense of $20.8 million in 2007 on earnings before tax of $7.1 million. Current income taxes for 2009 consisted primarily of the tax expense in jurisdictions with current taxes payable and additional tax reserves related to ongoing Canadian tax audits. Deferred income taxes for 2009 were comprised primarily of the deferred tax recoveries for losses and future deductible temporary differences in Canada and for reversals of certain valuation allowances previously recorded on deferred income tax assets. Current income taxes for 2008 consisted primarily of tax expense in jurisdictions with current taxes payable and additional tax reserves related to ongoing Canadian tax audits. Deferred income taxes for 2008 were comprised primarily of the deferred tax recoveries for losses and future deductible temporary differences in Canada and certain foreign taxable 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 quarter to quarter due to the mix and volume of business in lower tax jurisdictions within Europe and Asia, tax holidays and tax incentives that have been negotiated with the respective tax authorities (which expire between 2010 and 2015), restructuring charges, operating losses, certain tax exposures, the time period in which losses may be used under tax laws and the valuation allowances recorded on deferred income tax assets. We expect to continue to comply with the conditions governing the tax holidays.

In certain jurisdictions, primarily in the Americas and Europe, we currently have significant net operating losses and other deductible temporary differences, which will reduce taxable income in these jurisdictions in future periods. We have determined that a valuation allowance of $582.6 million is required in respect of our deferred income tax assets as at December 31, 2009 (December 31, 2008 $591.9 million).

As at December 31, 2009, the net deferred income tax liability balance was $8.4 million (December 31, 2008 $31.2 million).

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 and reviews by local 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 penalties could have a significant impact on our future earnings and future cash flows.

Certain of our subsidiaries provide financing, products and services, 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.

In connection with ongoing tax audits in Canada, tax authorities have taken the position that income reported by one of our Canadian subsidiaries in 2001 through 2003 should have been materially higher as a result of certain inter-company transactions. The successful pursuit of that assertion could result in that subsidiary owing significant amounts of tax, interest and possibly penalties. We believe we have substantial defenses to the asserted position and have adequately accrued for any probable potential adverse tax impact. However, there can be no assurance as to the final resolution of this claim and any resulting proceedings, and if this claim and any ensuing proceedings are determined adversely to us, the amounts we may be required to pay could be material.

In connection with a tax audit in Brazil, in the fourth quarter of 2009, tax authorities took the position that income reported by our Brazilian subsidiary in 2004 should have been materially higher as a result of certain inter-company transactions. We believe we have substantial defenses to the asserted position. However, there can be no assurance as to the final resolution of this matter and, if it is determined adversely to us, the amounts we may be required to pay for taxes, interest and penalties could be material.

We have and will continue to recognize the future benefit of certain Brazilian tax losses on the basis that these tax losses can and will be fully utilized in the fiscal period ending on the date of dissolution of our Brazilian subsidiary. We regularly review Brazilian laws and assess the likelihood of the realization of the future benefit of the tax losses. A change to the benefit realizable on these Brazilian losses could result in a substantial increase to our net future tax liabilities.

Acquisitions:

We may, at any time, be engaged in ongoing discussions with respect to possible acquisitions that we expect would expand our service offerings, increase our penetration in various industries, establish strategic relationships with new or existing customers and/or enhance our global manufacturing 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 manufacturing 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 can be successfully integrated or will generate the returns that we expected.

In January 2010, we completed the acquisition of Invec Solutions Limited, which is based in Scotland. Invec provides warranty management, repair and parts management services to companies in the information technology and consumer electronics markets. The acquisition will enhance our global after-market services by integrating Invec's proprietary reverse logistics software throughout our network. The cash purchase price was $6.4 million.

Liquidity and Capital Resources

Liquidity

The following table shows key liquidity metrics for the periods indicated (in millions):

	As at December 31		
	2007	2008	2009
Cash and cash equivalents	$ 1,116.7	$ 1,201.0	$ 937.7

	Year ended December 31		
	2007	2008	2009
Cash provided by operations	$ 351.4	$ 208.2	$ 293.5
Cash used in investing activities	(36.9)	(80.8)	(66.3)
Cash used in financing activities	(1.5)	(43.1)	(490.5)

Cash provided by operations:

We generated $293.5 million in cash from operations during 2009 primarily from earnings after adding back non-cash charges and lower working capital requirements. The improvements in A/R and inventory were offset partially by decreases in A/P. The decrease in our A/R balance from the prior year reflects lower revenue and continued strong cash collections, driven in part by changes in customer payment terms. We had not sold any A/R as at December 31, 2008 or December 31, 2009 under our A/R sales program. The decrease in inventory from the prior year reflects improved inventory management and lower volumes.

We generated $208.2 million in cash from operations in 2008 primarily from earnings after adding back non-cash charges, partially offset by higher working capital requirements. Higher working capital was driven primarily by an increase in A/R, partially offset by higher A/P. The year-over-year increase in A/R reflects that there were no A/R sold under our A/R sales program as at December 31, 2008 (December 31, 2007 $225.0 million sold) partially offset by cash collections.

Cash used in investing activities:

Our capital expenditures were incurred primarily to enhance our supply chain and manufacturing capabilities in various geographies and to support new customer programs.

Our capital spending for 2009 totaled $77.3 million, representing approximately 1.3% of revenue for the year. We anticipate similar spending levels for 2010.

Cash used in financing activities:

During 2009, we paid $495.8 million (2008 $30.4 million) in cash to repurchase our outstanding 2011 Notes. We terminated our interest rate swap agreements in February 2009 and received $14.7 million in cash as settlement of these agreements. In 2009, we used $8.4 million (2008 $11.9 million; 2007 $3.2 million) in cash to purchase subordinate voting shares in the open market. We reissued these shares to employees as their share unit awards vest. In the first quarter of 2010, we paid approximately $29 million in cash to settle the share unit awards that vested in February 2010.

Cash requirements:

We believe that cash flow from operating activities, together with cash on hand and borrowings available under our credit facility and bank overdraft facilities, will be sufficient to fund currently anticipated working capital, planned restructuring and capital spending, and debt service requirements for the next 12 months, including our planned redemption of the 2013 Notes. Historically, we have funded our operations from the proceeds of public offerings of equity and debt instruments, cash generated from operations, bank debt, sales of A/R and equipment lease financings. We expect to continue to enter into debt and equity financings, sales of A/R and lease transactions to fund anticipated growth and acquisitions. The issuance and timing of additional equity or convertible debt securities could dilute current shareholders' positions. Further, we may issue debt securities that have rights and privileges senior to equity holders, and the terms of this debt could impose restrictions on our operations. The pricing of such debt securities is subject to market conditions at the time of issuance. At December 31, 2009, we had significant cash balances in excess of our debt obligations.

As at December 31, 2009, we have contractual obligations that require future payments as follows (in millions):

	Total[(i)]	2010	2011	2012	2013	2014	Thereafter
2013 Notes[(ii)]	$ 223.1	$ 223.1	$	$	$	$	$
Interest on long-term debt[(iii)]	2.8	2.8					
Operating leases	117.8	39.5	24.3	11.7	9.2	6.9	26.2
Restricted share unit awards[(iv)]	29.0	29.0					
Pension plan contributions[(v)]	32.6	32.6					
Non-pension post-employment plan payments	43.2	3.8	3.8	3.9	4.0	4.1	23.6

(i) The contractual obligations chart above does not include our agreement with a third party for the outsourcing of our IT support. Our costs under this IT support agreement fluctuate based on our usage. We are permitted to terminate this agreement at any time for a declining fee.

(ii) Represents the principal amount outstanding. In January 2010, we announced our intention to redeem the 2013 Notes in the first quarter of 2010.

(iii) Estimated interest on the 2013 Notes based on completing the planned redemption in the first quarter of 2010.

(iv) Represents cash paid in the first quarter of 2010 to settle share unit awards vested in February 2010. We expect to purchase subordinate voting shares in the open market to settle share unit awards vesting in future periods. We have excluded the estimated cash outlay for these future settlements from the above table due to difficulties in estimating future share prices and the number of awards that will ultimately vest.

(v) Our pension funding policy is to contribute amounts sufficient to meet minimum local statutory funding requirements that are based on actuarial calculations. We may make additional discretionary contributions based on actuarial assessments and, from time to time, make voluntary contributions to the pension plans. Based on our latest actuarial valuations, we estimate our minimum funding requirements for 2010 to be $32.6 million (2009 $33.0 million). We also expect to contribute $3.8 million to the non-pension post-employment benefit plans to fund the estimated benefit payments in 2010. We expect our total pension expense for 2010 to be $19.4 million (2009 $23.6 million).

The following outlines our pension contributions and pension expense for the periods indicated (in millions):

	Year ended December 31		
	2008	2009	2010 (estimated)
Contributions:			
Defined benefit plans	$ 22.0	$ 22.3	$ 21.5
Defined contribution plans	11.8	10.7	11.1
	$ 33.8	$ 33.0	$ 32.6
Expense:			
Defined benefit plans	$ 6.2	$ 12.9	$ 8.3
Defined contribution plans	11.8	10.7	11.1
	$ 18.0	$ 23.6	$ 19.4

We maintain multiple defined benefit plans. Our contribution amount is determined based on actuarial valuations. The global economic conditions have impacted our asset returns, primarily in the second half of 2008. Continued volatility in the capital markets will impact future asset values in our pension plans. A significant deterioration in the asset values or asset returns could lead to higher than expected future contributions. Risks associated with actuarial valuation measurement uncertainty may also result in higher

future cash contributions. We fund our pension contributions from cash on hand. Although we have defined benefit plans that are currently in a net unfunded position, we do not expect our pension obligations will have a material adverse impact on our results of operations, cash flows or liquidity.

As at December 31, 2009, we have commitments that expire as follows (in millions):

	Total	2010	2011	2012	2013	2014	Thereafter
Foreign currency contracts[(i)]	$ 489.2	$ 473.2	$ 16.0	$	$	$	$
Letters of credit, letters of guarantee and surety bonds	50.2	50.2					
Capital expenditures[(ii)]	15.0	15.0					
Acquisitions[(iii)]	6.4	6.4					

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

(ii) As of December 31, 2009, we had committed approximately $15.0 million in capital expenditures, principally for machinery and equipment and facilities in our lower-cost geographies to support new customer programs. Based on our current operating plans, we anticipate capital spending for 2010 to be approximately 1.1% to 1.3% of revenue, and expect to fund this spending from cash on hand. In addition, we regularly review acquisition opportunities and, as a result, could require additional debt or equity financing to fund these transactions.

(iii) We paid $6.4 million in January 2010 to acquire Invec Solutions Limited.

Cash outlays for our contractual obligations and commitments identified above are expected to be funded by cash on hand. We also have outstanding purchase orders with certain suppliers for the purchase of inventory. These purchase orders are generally short-term. Orders for standard items can typically be cancelled with little or no financial penalty. Our policy regarding non-standard or customized orders dictates that such items are generally ordered specifically for customers who have contractually assumed liability for the inventory. In addition, a substantial portion of the standard items covered by our purchase orders were procured for specific customers based on their purchase orders or forecasts under which the customers have contractually assumed liability for such material. Accordingly, the amount of liability from purchase obligations under these purchase orders cannot be quantified with a reasonable degree of accuracy.

We have provided routine indemnifications, the terms of which range in duration and often are not explicitly defined. These may include indemnifications against adverse impacts due to changes in tax laws, third-party intellectual property infringement claims and third-party claims for property damage from negligence. We have also provided indemnifications in connection with the sale of certain businesses and real property. The maximum potential liability from these indemnifications cannot reasonably be 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 2007, securities class action lawsuits were commenced against the Company and our former Chief Executive and Chief Financial Officers in the United States District Court of the Southern District of New York by certain individuals, on behalf of themselves and other unnamed purchasers of our stock, claiming that they were purchasers of our stock during the period January 27, 2005 through January 30, 2007. The plaintiffs allege violations of United States federal securities laws and seek unspecified damages. They allege that during the purported class period we made statements concerning our actual and anticipated future financial results that failed to disclose certain purportedly material adverse information with respect to demand and inventory in our Mexican operations and our information technology and communications divisions. In an amended complaint, the plaintiffs have added one of our directors and Onex Corporation as defendants. All defendants have filed motions to dismiss the amended complaint. These motions are pending. A parallel class proceeding has also been issued against the Company and our former Chief Executive and Chief Financial Officers in the Ontario Superior Court of Justice, but neither leave nor certification of the action has been granted by that court. We believe that the allegations in these claims are without merit and we intend to defend against them vigorously. However, there can be no assurance that the outcome of the litigation will be favorable to us or that it will not have a material adverse impact on our financial position or liquidity. In addition, we may incur substantial litigation expenses in defending these claims. We have liability insurance coverage that may cover some of our litigation expenses, potential judgments or settlement costs.

We received a recovery of damages related to certain purchases we made in prior periods as a result of the settlement of a class action lawsuit. We recorded the recovery, net of estimated reserves, in other charges of $23.7 million during the fourth quarter of 2009. Future adjustments to our estimated reserves, if any, will be recorded through other charges.

Capital Resources

Our main objectives in managing our capital resources are to ensure liquidity and to have funds available for working capital or other investments required to grow our business. Our capital resources consist of cash, short-term investments, access to credit facilities and bank overdraft facilities, senior subordinated notes and share capital.

At December 31, 2009, we had cash of $937.7 million, comprised of cash (approximately 28%) and cash equivalents (approximately 72%). Our current portfolio consists of certificates of deposits and certain money market funds that are secured exclusively by U.S. government securities. The majority of our cash and cash equivalents are held with financial institutions each of which had at December 31, 2009 a Standard and Poor's rating of A-1 or above.

We manage our capitalization levels and make adjustments, as available, for changes in economic conditions. At December 31, 2009, we had full access to a $200.0 million credit facility, access to bank overdraft facilities, and we could sell up to $250.0 million in A/R, on a committed basis, under an A/R sales program to provide short-term liquidity. Our credit facility has restrictive covenants relating to debt incurrence, the sale of assets and a change of control. The facility also contains financial covenants that may limit the amount of debt that can be incurred under the facility. We closely monitor our business performance to evaluate compliance with our covenants. Our 2013 Notes, which we intend to redeem in the first quarter of 2010, also have restrictions on financing activities. During 2009, we redeemed our outstanding 2011 Notes. We continue to monitor and review the most cost-effective methods for raising capital, taking into account these restrictions and covenants. As of December 31, 2009, we were in compliance with these covenants.

We have not distributed, nor do we have any current plan to distribute, any dividends to our shareholders nor do we have any current plans to repurchase shares through a stock buy-back plan. We have purchased and expect to, from time to time, purchase shares in the open market for the settlement of share unit awards to employees under our long-term incentive plans.

Our strategy on capital risk management has not changed since 2008. Other than the restrictive covenants associated with our debt obligations, we are not subject to any contractual or regulatorily imposed 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.

Our revolving credit facility for $300.0 million expired in April 2009. In April 2009, we renewed this facility on generally similar terms and conditions, and reduced the size of the facility to $200.0 million, with a maturity of April 2011. We pledged certain assets, including the shares of certain North American subsidiaries, as security for the facility. The facility includes a $25.0 million swing-line facility that provides for short-term borrowings up to a maximum of seven days. Borrowings under the facility bear interest at LIBOR plus a margin, except that borrowings under the swing-line facility bear interest at a base rate plus a margin. Borrowings bear a higher interest rate under this facility than under the prior facility.

The facility has restrictive covenants relating to debt incurrence, the sale of assets, and a change of control. We are also required to comply with financial covenants related to indebtedness, interest coverage and liquidity. We were in compliance with all covenants at December 31, 2009. There were no borrowings outstanding under our facility at December 31, 2009. Commitment fees for 2009 were $2.1 million. We paid $2.3 million in upfront commitment fees and closing costs in the second quarter of 2009. These costs are amortized to interest expense on long-term debt over the term of the renewed facility.

We have additional uncommitted bank overdraft facilities available for operating requirements which total $65.0 million at December 31, 2009. There were no borrowings outstanding under these facilities at December 31, 2009.

In November 2009, we renewed an agreement to sell certain A/R to a third-party bank (which had at December 31, 2009 a Standard and Poor's rating of A+) and other qualified purchasers. We can sell up to $250.0 million in A/R, on a committed basis, to provide short-term liquidity. The program also provides for the sale of certain A/R in excess of the committed amount at the discretion of the purchasers. At December 31, 2009, we had not sold any A/R under the program (December 31, 2008 zero dollars sold; December 31, 2007 $225.0 million sold). This program remains available to us until November 2010.

Both Standard and Poor's and Moody's Investors Service provide ratings on Celestica. These credit ratings reflect the agencies' current opinion of the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations or a specific financial program. The agencies take many factors into consideration when providing a rating including, but not limited to, an industry's operating environment, financial performance of the debtor, creditworthiness of guarantors, insurers, or other forms of credit enhancement on the obligation and the currency in which the obligation is denominated. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization. A rating does not comment as to market price or suitability for a particular investor.

On September 29, 2009, Standard and Poor's upgraded our corporate rating to BB- from B+ and our Notes rating to BB- from B, with a stable outlook. On February 25, 2010, following the announcement of our fourth quarter results and our intention to redeem our outstanding 2013 Notes, Standard and Poor's upgraded our corporate and Notes ratings to BB from BB-, with a stable outlook. The Notes rating, which is 13th out of 22 on the Standard and Poor's rating scale, means that the obligor currently has the capacity to meet its financial commitment on the obligation, but adverse business, financial or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation. On November 6, 2009, Moody's Investor Service upgraded our corporate rating to Ba3 from B1 and our Notes rating to B2 from B3 with a stable outlook. The Notes rating is 15th out of 21 on the Moody's Investor Service rating scale. Obligations rated B2 are considered to be in the mid range of obligations that are judged to be speculative and subject to high credit risk. A reduction in our credit ratings could adversely impact our future cost of borrowing. At December 31, 2009, we had significant cash balances in excess of our debt obligations.

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 certificates of deposit and money market funds that are secured exclusively by 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 material costs are also denominated in U.S. dollars. However, a significant portion of our non-material costs (including payroll, pensions, facility 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 control our hedging activities and 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 and generally involves entering into contracts to trade U.S. dollars for various currencies at future dates. We traditionally enter into forward exchange contracts to hedge against our cash flows in foreign currencies. To mitigate foreign exchange translation volatility, we enter into forward exchange contracts to partially hedge our significant balance sheet exposures in certain currencies. These balance sheet hedges are based on our forecasts of the future position of net assets or liabilities denominated in foreign currencies and, therefore, may not mitigate the full impact of any translation impacts in the future. There is no assurance that our hedging transactions will be successful.

At December 31, 2009, we had forward exchange contracts to trade U.S. dollars in exchange for the following currencies (in millions):

Currency	Amount of U.S. dollars	Weighted average exchange rate of U.S. dollars	Maximum period in months	Fair value gain/(loss)
Canadian dollar	$ 206.5	$ 0.92	15	$ 7.7
British pound sterling	89.5	1.60	4	(0.1)
Thai baht	50.1	0.03	12	0.2
Malaysian ringgit	47.8	0.29	12	0.2
Mexican peso	37.1	0.08	12	0.1
Singapore dollar	18.9	0.70	12	0.3
Euro	13.3	1.45	3	
Romanian lei	13.1	0.33	12	(0.3)
Czech koruna	12.9	0.05	6	(0.1)
Total	$ 489.2			$ 8.0

Our contracts generally extend for periods of up to 15 months and expire by March 2011. The fair value of these contracts at December 31, 2009 was a net unrealized gain of $8.0 million (December 31, 2008 net unrealized loss of $38.9 million). The unrealized gains or losses are a result of fluctuations in foreign exchange rates between the time the forward contracts were entered into and the valuation date at period end. The change in the net unrealized gain or loss of our foreign currency contracts during 2009 is due primarily to the settlement of contracts with significant losses and the favourable movement in the exchange rates for the currencies we hedge. We monitor our hedging program each quarter. The counterparties to these contracts are financial institutions, each of which had at December 31, 2009 a Standard and Poor's rating of A or above.

Financial risks:

We are exposed to a variety of financial risks associated with financial instruments as part of our normal operations. We have exposures to the following financial risks arising from financial instruments: market risk, credit risk and liquidity risk.

Market risk: This is the risk that results in changes to market prices, such as foreign exchange rates and interest rates, which could affect our operations or the value of our financial instruments. To manage this risk, we enter into various derivative hedging transactions.

Currency risk: Due to the nature of our international operations, we are exposed to exchange rate fluctuations on our cash receipts, cash payments and balance sheet exposures denominated in various foreign currencies. The majority of our currency risk is driven by the operational costs incurred in local currencies by our foreign subsidiaries. We currently manage this risk through our hedging program using forecasts of future cash flows and our balance sheet exposures denominated in foreign currencies.

Interest rate risk: We are exposed to interest rate risks as we have significant cash balances invested at floating rates. Borrowings under our revolving credit facility bear interest at LIBOR plus a margin. If we borrow under this facility, we will be exposed to interest rate risks due to fluctuations in the LIBOR rate.

Credit risk: Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss to us. To mitigate the risk of financial loss from defaults under our foreign currency forward contracts, these counterparty financial institutions each had at December 31, 2009 a Standard and Poor's rating of A or above. The financial institution with which we renewed our A/R sales program had a Standard and Poor's rating of A+ at December 31, 2009. At December 31, 2009, we had not sold any A/R under this program. We believe that the credit risk of counterparty non-performance is low.

We also provide credit to our customers in the normal course of business. We mitigate this credit risk by monitoring our customers' financial condition and performing ongoing credit evaluations, as well as frequent communications with them, enabling us to monitor current changes in their business operations. We review concentration of credit risk in establishing our allowance for doubtful accounts and we believe our allowances are adequate. As at December 31, 2009, less than 1% of our gross A/R were over 90 days past due and our allowance for doubtful accounts balance was $7.5 million.

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 and accrued liabilities are due within 90 days. In the first quarter of 2010, we intend to redeem our outstanding 2013 Notes, with a principal amount of $223.1 million, at a price of 103.813%, together with accrued and unpaid interest to the redemption date. Management believes that cash flow from operations, together with cash on hand, cash from the sale of A/R, and borrowings available under our credit facility and bank overdraft facilities are sufficient to support our financial obligations.

Related Party Transactions

In 2008, we entered into a manufacturing agreement with a company under the control of our controlling shareholder. During 2009, we recorded revenue of $42.3 million (2008 $19.3 million) from this related party. All transactions with this related party were in the normal course of operations. All amounts were recorded at the exchange amount, being the amount agreed to by the parties.

Outstanding Share Data

As of February 22, 2010, we had 211.0 million outstanding subordinate voting shares and 18.9 million outstanding multiple voting shares. We also had 10.7 million outstanding stock options, 5.8 million outstanding restricted share units and 8.1 million outstanding performance share units, each such option or unit entitling the holder to receive one subordinate voting share pursuant to the terms thereof (subject to time or performance based vesting).

In October 2009, we issued a short form prospectus related to the secondary offering and sale of 10.7 million subordinate voting shares of our company by Onex Corporation and certain of its affiliates (Onex), our controlling shareholder. As part of this secondary offering, Onex converted 10.7 million multiple voting shares to 10.7 million subordinate voting shares in order to effect the sale. We did not receive any proceeds from the sale.

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 and 15d-15 under the Securities Exchange Act of 1934 (the Exchange Act)) designed to ensure that information we are required to disclose in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the 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 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 the 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 the end of the year. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective to meet the requirements of Rules 13a-15 and 15d-15 under the 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 controls over financial reporting:

During 2009, there were no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal controls 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. Our auditors, KPMG LLP, an independent registered public accounting firm, have issued an audit report on our internal controls over financial reporting for the year ended December 31, 2009. This report appears on page F-2.

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

	2008				2009			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue	$ 1,835.7	$ 1,876.3	$ 2,030.8	$ 1,935.4	$ 1,469.4	$ 1,402.2	$ 1,556.2	$ 1,664.4
Gross profit %	6.3%	6.7%	7.4%	7.3%	7.6%	7.3%	6.9%	6.6%
Net earnings (loss)	$ 29.8	$ 39.8	$ 32.1	$ (822.2)	$ 19.2	$ 5.3	$ (0.6)	$ 31.1
# of basic shares	229.1	229.2	229.4	229.4	229.4	229.4	229.5	229.7
# of diluted shares	229.2	230.4	230.3	229.4	229.4	230.2	229.5	232.0
Net earnings (loss):								
per share basic	$ 0.13	$ 0.17	$ 0.14	$ (3.58)	$ 0.08	$ 0.02	$ 0.00	$ 0.14
per share diluted	$ 0.13	$ 0.17	$ 0.14	$ (3.58)	$ 0.08	$ 0.02	$ 0.00	$ 0.13

Comparability quarter-to-quarter:

The quarterly data reflects the following:

- the fourth quarters of 2008 and 2009 include the results of our annual impairment testing of goodwill and long-lived assets; and

- all quarters of 2008 and 2009 were impacted by our announced restructuring plans. The amounts vary from quarter to quarter.

Fourth quarter 2009 compared to fourth quarter 2008:

Revenue for the fourth quarter of 2009 decreased 14% to $1.7 billion from $1.9 billion for the same period in 2008. Lower revenue primarily from our telecommunications and enterprise communications segments accounted for a 12% decrease in total revenue from the prior period. This was offset partially by our storage segment which grew primarily due to new program wins. Revenue from our consumer market was relatively flat for the fourth quarter of 2009 compared to the same period in 2008. Gross margin decreased to 6.6% of revenue for the fourth quarter of 2009 from 7.3% for the same period in 2008, primarily due to reduced revenue, changes in the mix of products manufactured and the mark-to-market adjustment on restricted share unit awards in the fourth quarter of 2009. SG&A for the fourth quarter of 2009 of $61.2 million decreased $15.7 million from the same period in 2008 primarily as a result of lower foreign exchange losses and overall cost reductions, offset partially by the $5.7 million mark-to-market adjustment on the restricted share unit awards in the fourth quarter of 2009. The net loss in the fourth quarter of 2008 included a goodwill impairment charge of $850.5 million.

Fourth quarter 2009 compared to third quarter 2009:

Revenue for the fourth quarter of 2009 increased 7% to $1.7 billion from $1.6 billion for the third quarter of 2009. Revenue from all our end markets increased sequentially, other than the telecommunications market which was flat, from the third quarter of 2009. The consumer and server markets benefited from new program wins. Gross margin decreased from 6.9% of revenue in the third quarter of 2009 to 6.6% in the fourth quarter of 2009, primarily as a result of the mark-to-market adjustment on the restricted share unit awards, which negatively impacted gross margin in the fourth quarter of 2009 by 0.3%. SG&A increased $7.2 million from the third quarter of 2009 to $61.2 million in the fourth quarter of 2009, primarily reflecting the $5.7 million

mark-to-market adjustment on the restricted share unit awards in the fourth quarter of 2009. The net loss in the third quarter of 2009 included restructuring and other charges totaling $43.5 million. Net earnings in the fourth quarter of 2009 included other recoveries totaling $8.7 million, net of restructuring charges.

Fourth quarter 2009 actual compared to guidance:

Our guidance is provided on an adjusted net earnings (defined below) basis only as it is difficult to forecast the various items impacting GAAP net earnings, such as the amount and timing of our restructuring and debt repurchase activities. A reconciliation of adjusted net earnings, which is a non-GAAP measure, to Canadian GAAP net earnings is set forth below.

Beginning with the fourth quarter of 2009, we revised the definition of our non-GAAP adjusted net earnings to exclude all stock-based compensation (in addition to the items previously excluded) to allow for a better comparison with our major North American EMS competitors. For consistency, we made similar changes in the definitions of additional non-GAAP metrics: adjusted gross margin, adjusted SG&A, adjusted operating margin (EBIAT) and ROIC. Prior to the fourth quarter of 2009, option expense was the only stock-based compensation item excluded from the adjusted net earnings definition and other non-GAAP metrics. We now exclude (in addition to the items previously excluded) restricted share unit costs and any other stock-based compensation expense that may arise from adjusted net earnings and other non-GAAP measures. We have recalculated prior period comparatives to conform to the current periods' definitions.

Management uses adjusted net earnings (and other non-GAAP metrics) as a measure of enterprise-wide performance. Management believes adjusted net earnings is a useful measure for management, as well as investors, to compare operating performance from period-to-period. Adjusted net earnings do not include the effects of other charges, most significantly the write-down of goodwill and long-lived assets, gains or losses on the repurchase of shares or debt and the related income tax effect of these adjustments, and any significant deferred tax write-offs or recoveries. We also exclude the following recurring charges: restructuring costs, total stock-based compensation including option and restricted share unit costs, amortization of intangible assets (except amortization of computer software) and the related income tax effect of these adjustments. The term adjusted net earnings does not have any standardized meaning prescribed by GAAP and is not necessarily comparable to similar measures presented by other companies. Adjusted net earnings is not a measure of performance under Canadian or U.S. GAAP and should not be considered in isolation or as a substitute for net earnings prepared in accordance with Canadian or U.S. GAAP. See reconciliation below.

On October 22, 2009, we provided the following guidance for the fourth quarter of 2009:

	Q4 09	
	Guidance	**Actual**
Revenue (in billions)[i]	$1.55 to $1.70	$1.66
Adjusted net earnings per share[ii]	$0.16 to $0.22	$0.21

(i) Revenue for the fourth quarter of 2009 exceeded the midpoint of our published guidance.

(ii) Our published guidance range for adjusted net earnings per share of $0.14 to $0.20 did not reflect the revised definition for this metric. Guidance for adjusted net earnings per share, using the revised definition, would have been $0.16 to $0.22. Adjusted net earnings per share for the fourth quarter of 2009 was $0.21 and met the high end of this range.

Adjusted net earnings per share for the fourth quarter of 2008, using the revised definition, was $0.28 and included a $0.07 per share benefit associated with the reduction in the income tax rate for adjusted net earnings. Excluding the tax benefit, adjusted net earnings per share for the fourth quarter of 2008 was $0.21.

The following table sets forth, for the periods indicated, a reconciliation of Canadian GAAP earnings (loss) to adjusted net earnings and other non-GAAP metrics (in millions, except per share amounts):

	2008			2009		
Three months ended December 31	**GAAP**	**Adjustments**	**Adjusted**	**GAAP**	**Adjustments**	**Adjusted**
Revenue	$ 1,935.4	$	$ 1,935.4	$ 1,664.4	$	$ 1,664.4
Cost of sales[1][2]	1,794.8	(2.7)	1,792.1	1,555.3	(8.3)	1,547.0
Gross profit[2]	140.6	2.7	143.3	109.1	8.3	117.4
SG&A[1][2][3]	76.9	(4.2)	72.7	61.2	(9.2)	52.0
Amortization of intangible assets[3]	6.4	(3.3)	3.1	6.6	(1.9)	4.7
Other charges	861.9	(861.9)		(8.7)	8.7	
Operating earnings (loss) EBIAT[4]	(804.6)	872.1	67.5	50.0	10.7	60.7
Interest expense, net	13.7		13.7	5.7		5.7
Net earnings (loss) before tax	(818.3)	872.1	53.8	44.3	10.7	55.0
Income tax expense (recovery)	3.9	(15.3)	(11.4)	13.2	(7.7)	5.5
Net earnings (loss)	$ (822.2)	$ 887.4	$ 65.2	$ 31.1	$ 18.4	$ 49.5
# of shares (in millions) diluted	229.4		229.4	232.0		232.0
Earnings (loss) per share	$ (3.58)		$ 0.28	$ 0.13		$ 0.21
ROIC[5]			18.8%			27.5%
Free cash flow[6]			$ (17.3)			$ 27.5

	2008			2009		
Year ended December 31	**GAAP**	**Adjustments**	**Adjusted**	**GAAP**	**Adjustments**	**Adjusted**
Revenue	$ 7,678.2	$	$ 7,678.2	$ 6,092.2	$	$ 6,092.2
Cost of sales[1][2]	7,147.1	(10.3)	7,136.8	5,662.4	(18.0)	5,644.4
Gross profit[2]	531.1	10.3	541.4	429.8	18.0	447.8
SG&A[1][2][3]	292.0	(13.1)	278.9	244.5	(20.9)	223.6
Amortization of intangible assets[3]	26.9	(15.1)	11.8	21.9	(8.8)	13.1
Other charges	885.2	(885.2)		68.0	(68.0)	
Operating earnings (loss) EBIAT[4]	(673.0)	923.7	250.7	95.4	115.7	211.1
Interest expense, net	42.5		42.5	35.0		35.0
Net earnings (loss) before tax	(715.5)	923.7	208.2	60.4	115.7	176.1
Income tax expense (recovery)	5.0	(1.0)	4.0	5.4	12.2	17.6
Net earnings (loss)	$ (720.5)	$ 924.7	$ 204.2	$ 55.0	$ 103.5	$ 158.5
# of shares (in millions) diluted	229.3		229.6	230.9		230.9
Earnings (loss) per share diluted	$ (3.14)		$ 0.89	$ 0.24		$ 0.69
ROIC[5]			14.6%			22.0%
Free cash flow[6]			$ 127.1			$ 223.7

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(1) Total stock-based compensation, comprised of option and restricted share unit costs, is excluded from the calculation of adjusted net earnings, adjusted gross margin, adjusted SG&A, adjusted operating margin (EBIAT) and return on invested capital (ROIC). Prior to the fourth quarter of 2009, option expense was the only stock-based compensation item excluded from these calculations. All of these

metrics, which are non-GAAP measures, including comparatives for prior periods, reflect the revised definition. The following table shows how the revised definition has impacted these metrics (in millions, except per share amounts):

	Q4 2008	2008	Q4 2009[(a)]	2009[(a)]
Adjusted gross profit increase[(2)]	$ 2.1	$ 7.4	$ 2.6	$ 10.5
Adjusted SG&A decrease[(2)]	3.2	9.4	2.7	11.6
EBIAT increase[(4)]	5.3	16.8	5.3	22.1
Adjusted net earnings increase	6.1	16.5	4.8	20.0
Adjusted net earnings per share increase	$ 0.02	$ 0.07	$ 0.02	$ 0.09
ROIC% increase[(5)]	1.5%	1.0%	2.3%	2.3%

(a)Excluded the impact of a mark-to-market accounting adjustment related to restricted share unit awards totaling $10.9 million recorded in the fourth quarter of 2009 (cost of sales $5.2 million; SG&A $5.7 million). See note 8(e) to the Consolidated Financial Statements.

(2)

Management uses these non-GAAP measures to assess operating performance. As discussed above, we revised our definition of each of these measures commencing with the results for the fourth quarter of 2009. Management believes that each of these measures is an appropriate metric for management, as well as investors, to compare operating performance from period-to-period. Adjusted gross profit is calculated by excluding total stock-based compensation from GAAP gross profit. Adjusted gross margin is calculated by dividing adjusted gross profit by revenue. Adjusted SG&A is calculated by excluding total stock-based compensation from GAAP SG&A. Adjusted SG&A percentage is calculated by dividing adjusted SG&A by revenue. Neither adjusted gross profit, adjusted gross margin, nor adjusted SG&A has any standardized meaning prescribed by Canadian or U.S. GAAP, and is not necessarily comparable to similar measures presented by other companies. Neither adjusted gross profit, adjusted gross margin, nor adjusted SG&A is a measure of performance under Canadian or U.S. GAAP and no such measure should be considered in isolation or as a substitute for any standardized measure.

(3)

Certain 2008 GAAP numbers have been restated to reflect the change in accounting for computer software effective January 1, 2009 as required under Canadian GAAP. For the fourth quarter of 2008, $3.1 million in amortization of computer software has been reclassified from SG&A expenses to amortization of intangible assets (2008 $11.8 million). Amortization of computer software is not excluded for EBIAT or adjusted net earnings. There is no impact to our current or previously reported EBIAT, adjusted net earnings or net earnings (loss) for this change in accounting.

(4)

Management uses adjusted operating margin (EBIAT) as a measure to assess operating performance. As discussed above, we revised our definition of EBIAT commencing with the results for the fourth quarter of 2009. Excluded from EBIAT are the effects of other charges, most significantly the write-down of goodwill and long-lived assets, gains or losses on the repurchase of shares or debt and the related income tax effect of these adjustments, and any significant deferred tax write-offs or recoveries. We also exclude the following recurring charges: restructuring costs, total stock-based compensation including option and restricted share unit costs, amortization of intangible assets (except amortization of computer software), interest expense or income, and the related income tax effect of these adjustments. Management believes EBIAT, which isolates operating activities before interest and taxes, is an appropriate measure for management, as well as investors, to compare the company's operating performance from period-to-period. The term EBIAT does not have any standardized meaning prescribed by Canadian or U.S. GAAP and is not necessarily comparable to similar measures presented by other companies. EBIAT is not a measure of performance under Canadian or U.S. GAAP and should not be considered in isolation or as a substitute for net earnings prepared in accordance with Canadian or U.S. GAAP.

(5)

Management uses ROIC as a measure to assess the effectiveness of the invested capital it uses to build products or provide services to its customers. As discussed above, we revised our definition of ROIC commencing with the results for the fourth quarter of 2009. The ROIC metric used by the company includes operating margin, working capital management and asset utilization. ROIC is calculated by dividing EBIAT (defined in (4) above) by average net invested capital. Net invested capital consists of total assets less cash, accounts payable, accrued liabilities and income taxes payable. We use a two-point average to calculate average net invested capital for the quarter and a five-point average to calculate average net invested capital for the year. Management believes ROIC is an appropriate measure for management, as well as investors, to compare the company's operating performance from period-to-period. The term ROIC does not have any standardized meaning prescribed by Canadian or U.S. GAAP and is not necessarily comparable to similar measures presented by other companies. ROIC is not a measure of performance under Canadian or U.S. GAAP and should not be considered in isolation or as a substitute for any standardized measure. There is no comparable measure under GAAP.

(6)

Management uses free cash flow as a measure to assess cash flow performance. Free cash flow is calculated as cash generated from operations less capital expenditures (net of proceeds from the sale of surplus property and equipment). Management believes that free cash flow is an appropriate measure for management, as well as investors, to compare cash flow performance from period-to-period. The term free cash flow does not have any standardized meaning prescribed by Canadian or U.S. GAAP and is not necessarily comparable to similar measures presented by other companies. Free cash flow is not a measure of performance under Canadian or U.S. GAAP and should not be considered in isolation or as a substitute for any standardized measure. There is no comparable measure under GAAP.

First quarter 2010 guidance:

On January 27, 2010, we provided the following guidance for the first quarter of 2010:

	Q1 10 Guidance
Revenue (in billions)	$1.45 to $1.60
Adjusted net earnings per share, using the revised definition	$0.15 to $0.21

At the midpoint, our revenue guidance for the first quarter of 2010 represents an 8% sequential decrease from our fourth quarter of 2009. This compares to the historic 15% to 20% sequential declines that we have experienced from our fourth quarter to our first quarter of each year. We expect the impact of seasonality to be less severe than in previous years as our guidance also reflects modest end-market growth, new programs and changing product mix in the first quarter of 2010.

Our guidance for the first quarter of 2010 is based on various assumptions which management believes are reasonable under the current circumstances, but may prove to be inaccurate, and many of which involve factors that are beyond the control of the company. The material assumptions may include the following: forecasts from our customers, which range from 30 to 90 days; timing and investments associated with ramping new business; general economic and market conditions; currency exchange rates; pricing and competition; anticipated customer demand; supplier performance and pricing; commodity, labor, energy and transportation costs; operational and financial matters; technological developments; and the timing and execution of our restructuring plan. These assumptions are based on management's current views with respect to current plans and events, and are and will be subject to the risks and uncertainties discussed above. Our guidance for the first quarter of 2010 is given for the purpose of providing information about management's current expectations and plans relating to the first quarter of 2010. Readers are cautioned that such information may not be appropriate for other purposes.

Recent Accounting Developments

(a) Goodwill and intangible assets:

On January 1, 2009, we adopted CICA Handbook Section 3064, "Goodwill and intangible assets." This revised standard establishes guidance for the recognition, measurement and disclosure of goodwill and intangible assets, including internally generated intangible assets. As required by this standard, we have retroactively reclassified $34.0 million of computer software assets on our consolidated balance sheet as at December 31, 2008 from property, plant and equipment to intangible assets. In addition, we have reclassified computer software amortization on our consolidated statement of operations from depreciation expense, included in SG&A, to amortization of intangible assets. The adoption of this standard did not change our previously reported net earnings or loss.

(b) International financial reporting standards (IFRS):

In February 2008, the Canadian Accounting Standards Board announced the adoption of IFRS for publicly accountable enterprises in Canada. Effective January 1, 2011, companies must convert from Canadian GAAP to IFRS. IFRS is effective for our first quarter ending March 31, 2011, with comparative data also prepared under IFRS.

We have initiated an IFRS transition project with a formal and detailed project plan and a dedicated project manager. A multi-functional project team consisting of management from finance, taxation, treasury, legal, human resources, IT and operations is engaged on the project. We have also engaged external IFRS consulting partners. We have established a formal governance structure that includes both a steering committee and an accounting technical review committee, and regular reporting is provided to our senior executive management and to our Audit Committee on the project's progress. Our project focuses on the key areas impacted by this conversion, including financial reporting, systems and processes, communications and training. Our transition plan is progressing according to our implementation schedule.

The review of the potential impacts of IFRS was conducted in phases. In phase 1, we worked with independent consultants to complete a diagnostic of the key financial, systems and businesses that would potentially be impacted by our transition to IFRS. In phase 2, we completed our detailed analysis of the potential accounting and reporting differences between Canadian GAAP and IFRS, and made preliminary accounting policy choices. Although we have not completed our evaluation, we have not identified significant changes in our business activities as a result of the IFRS transition. We plan to continually evaluate any such impact during 2010.

Accounting Policies:

The following are our preliminary significant IFRS policy decisions and significant expected accounting differences, based on our analysis of the current IFRS standards. We will provide formal training to our finance staff and other personnel at each of our sites during the first half of 2010. Additional differences between Canadian GAAP and IFRS may be identified once the training is completed and as we conduct the quantification process. As a result, our accounting policy choices may change prior to the adoption of IFRS on January 1, 2011. Although we have identified key accounting policy differences, we cannot at this time determine the impact of these differences to our consolidated financial statements.

First-time adoption of IFRS (IFRS 1):

Upon transition, a company is required to apply each IFRS on a retrospective basis. However, IFRS 1 has certain mandatory exceptions, as well as limited optional exemptions, in specific areas of certain standards that do not require retrospective application of IFRS. Based on our analysis to date, we expect to apply the following optional exemptions available under IFRS 1 that will be significant to us in preparing our first consolidated financial statements under IFRS:

Business combinations IFRS 1 allows us to apply this standard on a prospective or retrospective basis. We have elected to apply IFRS 3(revised), Business combinations, on a prospective basis for all business combinations completed after January 1, 2010.

Employee benefits IFRS 1 provides the option to retrospectively apply the corridor method to actuarial gains or losses or to recognize the cumulative gains or losses deferred under Canadian GAAP through equity at the transition date. We have elected to recognize cumulative actuarial gains or losses at January 1, 2010 through retained deficit for all our employee benefit plans. We have $128.1 million in unrecognized actuarial losses at December 31, 2009 under Canadian GAAP.

Cumulative translation differences IFRS 1 allows cumulative translation differences for foreign operations to be cleared through equity on transition. Gains or losses from the subsequent disposal of the foreign operations would exclude translation differences arising prior to adopting IFRS. We have elected to reset cumulative translation differences to zero on transition. We have cumulative translation gains of $46.9 million at December 31, 2009.

IFRS to Canadian GAAP differences:

In addition to the IFRS 1 exceptions and exemptions, the following are preliminary differences between our Canadian GAAP accounting policies and those under IFRS that we believe are applicable and significant to Celestica based on our analysis to date:

Pension and other post-employment benefits Under Canadian GAAP, we generally defer our actuarial gains and losses from defined benefit plans and then amortize using the corridor method. Under IFRS, we expect to recognize all actuarial gains and losses immediately through equity without recording them in the income statement in subsequent periods. Additionally, IFRS has incremental considerations beyond Canadian GAAP with respect to limits on defined benefit assets, minimum funding requirements, and their interaction, which could result in adjustments to the amounts recorded under Canadian GAAP. We are currently reviewing our pension plans in detail to determine the impact upon transition.

Hedge effectiveness measurement IFRS requires us to incorporate credit risk into the assessment of hedge effectiveness and ineffectiveness and requires more documentation to support the hedging relationships. We expect that our hedging relationships will continue to qualify under IFRS.

Impairment of long-lived assets Reversal of asset impairment losses is not permitted under Canadian GAAP. IFRS requires the reversal of impairment losses, for assets other than goodwill, if certain criteria are met. Although we have recorded impairment losses against property, plant and equipment and intangible assets under Canadian GAAP, we do not believe at this time that these losses would be reversed under IFRS. However, we will begin to track previous and future impairments as required. Under IFRS, impairment testing is a one-step process. An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. Under Canadian GAAP, impairment is tested using a two-step process. We may recognize higher impairment losses under IFRS.

Share-based payments Under Canadian GAAP, each grant is treated as a single arrangement and compensation expense is determined at the time of grant and amortized over the vesting period, generally three to four years, on a straight-line basis. IFRS requires a separate calculation of compensation expense for awards that vest in installments. Under IFRS, compensation expense will differ from Canadian GAAP based on the changing fair values used for each installment and the timing of recognizing compensation expense, which will be accelerated under IFRS.

Income taxes The recognition of deferred income taxes for temporary differences arising from inter-company transfers of property and from foreign exchange fluctuations on non-monetary items are prohibited under Canadian GAAP. There are no similar exceptions under IFRS. In addition, other significant differences may include accounting for uncertain tax positions, backwards tracing and differences relating to presentation and disclosure. We will also be impacted by the potential income tax effect of the other IFRS changes noted above.

The impact of IFRS at transition will depend on the IFRS standards in effect at the time, accounting elections that have not yet been made and the prevailing business and economic facts and circumstances. The evolving nature of IFRS may also result in additional accounting changes, some of which may be significant. We will continue to monitor changes in the IFRS standards and will adjust our transition plans accordingly.

Internal control over financial reporting and disclosure controls and procedures:

We have augmented our existing controls and procedures to include controls and procedures regarding the implementation of IFRS. Our quality assurance plan, which forms part of the overall IFRS transition plan, includes project management, communication and training, formal review of financial data with management oversight and certifications, internal audits, controls over financial system changes and the use of disclosure checklists. We expect that as we progress through our IFRS transition, we may adjust our plans.

Financial reporting expertise:

We identified key financial reporting experts at various levels of our business, who received advanced IFRS training from our consulting partners. We have prepared training materials covering the transition plan and applicable accounting standards and have begun detailed training of our global finance organization. We plan to also hold IFRS information sessions for senior management and members of our IFRS steering committee and Audit Committee.

Information systems:

During 2009, we began to identify and assess the impact of IFRS on our financial systems. Our information technology team is in the process of designing solutions to ensure enterprise-wide IFRS compliance in IT systems. We currently are preparing our consolidations system to receive, consolidate and comply with the new reporting and data requirements under IFRS, which includes capturing financial data for the 2010 comparative period.

(c) Business combinations:

In January 2009, the CICA issued Handbook Section 1582, "Business combinations," which replaces the existing standards. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is equivalent to IFRS on business combinations. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011. We do not expect the adoption of this standard to have a material impact on our consolidated financial statements unless we engage in a significant acquisition.

(d) Consolidated financial statements:

In January 2009, the CICA issued Handbook Section 1601, "Consolidated financial statements," which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for 2011. We are currently evaluating the impact of adopting this standard on our consolidated financial statements.

(e) Financial instruments disclosures:

Effective December 31, 2009, we adopted the amendment issued by the CICA Handbook Section 3862, "Financial instruments disclosures," which requires enhanced disclosures on liquidity risk of financial instruments and new disclosures on fair value measurements of financial instruments. These requirements correspond to the IFRS on financial instruments disclosures. The adoption of this standard did not have a material impact on our consolidated financial statements.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

Each director of Celestica is elected by the shareholders to serve until the next annual meeting or until a successor is elected or appointed. The following table sets forth certain information regarding the current directors and executive officers of Celestica.

Name	Age	Position with Celestica	Residence
Robert L. Crandall	74	Chairman of the Board and Director	Florida, US
William A. Etherington	68	Director	Ontario, Canada
Laurette Koellner	55	Director	Florida, US
Richard S. Love	72	Director	California, US
Eamon J. Ryan	64	Director	Ontario, Canada
Gerald W. Schwartz	68	Director	Ontario, Canada
Don Tapscott	62	Director	Ontario, Canada
Craig H. Muhlhauser	61	Director, President and Chief Executive Officer	New Jersey, US
Paul Nicoletti	42	Executive Vice President and Chief Financial Officer	Ontario, Canada
John Boucher	50	Executive Vice President, Global Sales and Supply Chain Solutions	New Hampshire, US
Elizabeth L. DelBianco	50	Executive Vice President, Chief Legal and Administrative Officer and Corporate Secretary	Ontario, Canada
John Peri	48	Executive Vice President, Global Operations	Ontario, Canada
Mary Gendron	44	Senior Vice President and Chief Information Officer	Illinois, US
Peter A. Lindgren	47	Senior Vice President and General Manager, Growth and Emerging Markets Segment	Colorado, US

Name	Age	Position with Celestica	Residence
Michael P. McCaughey	48	Senior Vice President and General Manager, Communications Market Segment	Quebec, Canada
Darren Myers	36	Senior Vice President and Corporate Controller	Ontario, Canada
Robert J. Sellers	43	Senior Vice President and General Manager, Enterprise and Consumer Market Segments	Hong Kong, China

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

Robert L. Crandall has been a director of Celestica since 1998 and Chairman of the Board of Directors of Celestica since January 2004. He is the retired Chairman of the Board and Chief Executive Officer of AMR Corporation/American Airlines Inc. Mr. Crandall is a director of Air Cell, Inc., a privately held company, and holds a Bachelor of Science degree from the University of Rhode Island and a Master of Business Administration degree from the Wharton School of the University of Pennsylvania.

William A. Etherington has been a director of Celestica since 2001. He is also a director of MDS Inc. and Onex Corporation, each of which is a public corporation, and of SS&C Technologies Inc., a private firm. He is a former director and Non-Executive Chairman of the Board of the Canadian Imperial Bank of Commerce. He retired in 2001 as Senior Vice President and Group Executive, Sales and Distribution, IBM Corporation, and Chairman, President and Chief Executive Officer of IBM World Trade Corporation. Mr. Etherington is a member of the President's Council, The University of Western Ontario and director of St. Michael's Hospital. He holds a Bachelor of Science degree in Electrical Engineering and a Doctor of Laws (Hon.) from the University of Western Ontario.

Laurette Koellner has been a director of Celestica since 2009. She is the retired President of Boeing International, a division of The Boeing Company. Previously, she was President of Connexion by Boeing and prior to that was a member of the Office of the Chairman and served as the Executive Vice President, Internal Services, Chief Human Resources and Administrative Officer, President of Shared Services, as well as Corporate Controller for The Boeing Company. Ms. Koellner currently serves on the board and as chair of the Regulatory Compliance Committee of AIG Corporation and on the board and as chair of the Audit Committee of Sara Lee Corporation, both of which are public corporations, is a member of the University of Central Florida Dean's Executive Council, and a member of the Council on Foreign Relations. She holds a Bachelor of Science degree in Business Management from the University of Central Florida and a Masters of Business Administration from Stetson University in Deland, Florida. She holds a Certified Professional Contracts Manager designation from the National Contracts Management Association.

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

Eamon J. Ryan has been a director of Celestica since 2008. He is the former Vice President and General Manager, Europe, Middle East and Africa for Lexmark International Inc. Prior to that, he was the Vice President and General Manager, Printing Services and Solutions Manager, Europe, Middle East and Africa. Mr. Ryan joined Lexmark in 1991 as the President of Lexmark Canada. Before Lexmark, he spent 22 years at IBM Canada, where he held a number of sales and marketing roles in their Office Products and Large Systems divisions. Mr. Ryan's last role at IBM Canada was Director of Operations for its Public Sector, a role he held from 1986 to 1990. He holds a Bachelor of Arts degree from the University of Western Ontario.

Gerald W. Schwartz has been a director of Celestica since 1998. He is the Chairman of the Board and Chief Executive Officer of Onex Corporation, a public corporation. Mr. Schwartz was inducted into the Canadian Business Hall of Fame in 2004 and was appointed as an Officer of the Order of Canada in 2006. He is also an honorary director of the Bank of Nova Scotia and is a director of Indigo Books & Music Inc., each of which is a public corporation, and of RSI Home Products, Inc. Mr. Schwartz is Vice Chairman of Mount Sinai Hospital and is a director of The Simon Wiesenthal Center. He holds a Bachelor of Commerce degree and a Bachelor of Laws degree from the University of Manitoba, a Master of Business Administration degree from the Harvard University Graduate School of Business Administration, a Doctor of Laws (Hon.) from St. Francis Xavier University, and a Doctor of Philosophy (Hon.) from Tel Aviv University.

Don Tapscott has been a director of Celestica since 1998. He is Chairman of the think-tank nGenera Insight and an adjunct Professor of Management at the University of Toronto's Joseph L. Rotman School of Management. Mr. Tapscott is also an internationally respected authority, consultant and speaker on business strategy and organizational transformation and the author of thirteen widely-read books on the application of technology in business. He is also a fellow of the World Economic Forum. He holds a Bachelor of Science degree in Psychology and Statistics, and a Master of Education degree, specializing in Research Methodology, as well as Doctor of Laws (Hon.) degrees from the University of Alberta and Trent University.

Craig H. Muhlhauser is President and Chief Executive Officer, and since 2007, is also a director of Celestica. Prior to his current position, he was President and Executive Vice President of Worldwide Sales and Business Development. Before joining Celestica in May 2005, Mr. Muhlhauser was the President and Chief Executive Officer of Exide Technologies. He was serving as President of Exide Technologies when that entity filed for bankruptcy in 2002, was named Chief Executive Officer of Exide Technologies shortly thereafter and successfully led the company out of bankruptcy protection in 2004. Prior to that, he held the role of Vice President, Ford Motor Company and President, Visteon Automotive Systems. He was a director of Intermet Corporation, a privately held company, which filed for bankruptcy in the U.S. in August 2008 and emerged from Chapter 11 protection in September 2009. Throughout his career, he has worked in a range of industries spanning the consumer, industrial, communications, utility, automotive and aerospace and defense sectors. He holds a Master of Science degree in Mechanical Engineering and a Bachelor of Science degree in Aerospace Engineering from the University of Cincinnati.

Paul Nicoletti is Executive Vice President and Chief Financial Officer. In this role, he is responsible for overseeing Celestica's accounting, financial and investor relations functions in order to protect and enhance Celestica's shareholder value. He also leads Celestica's corporate development organization which focuses on creating value through acquisitions and partnerships. Previously, he was Senior Vice President, Finance and held the role of Corporate Treasurer, with responsibility for Celestica's global financial operations, segment financial reporting, strategic pricing, corporate tax and all corporate finance and treasury-related matters. Prior to that, Mr. Nicoletti was Vice President, Global Financial Operations, responsible for all financial aspects of Celestica's Canadian and Latin American operations. He was also previously the Controller of Celestica's Canadian EMS operations. Mr. Nicoletti joined IBM in 1989 and was part of the founding management team of Celestica. Throughout his career, he has held a number of senior financial roles in mergers and acquisitions, planning, accounting, pricing and financial strategies. Mr. Nicoletti holds a Bachelor of Arts degree from the University of Western Ontario and a Master of Business Administration degree from York University.

John Boucher is Executive Vice President, Global Sales and Supply Chain Solutions. He has led the company's Supply Chain Management Organization since November 2004. In 2008, this organization expanded into a complete Supply Chain Solutions Organization encompassing Solutions Development and integrated services offerings spanning design, fulfillment, after-market and automated manufacturing services. Previously, Mr. Boucher held the position of President, Americas, and was responsible for manufacturing operations in Canada, the U.S., Mexico and Brazil. Before joining Celestica through the company's acquisition of Manufacturers' Services Limited (MSL) in March 2004, he was MSL's Corporate Vice President of Global Supply Chain Management. Prior to joining MSL as part of the company's founding team, Mr. Boucher guided the start-up of after-market operations at Circuit Test Inc. He also spent over 17 years with Digital Equipment Corporation, where he held a number of senior roles, including managing supply chain strategies for the company's Personal Computer Division.

Elizabeth L. DelBianco is Executive Vice President, Chief Legal and Administrative Officer and Corporate Secretary. In this role she oversees human resources, global branding, legal, contracts and communications. Ms. DelBianco joined Celestica in 1998 and since that time has been responsible for managing legal, governance, and compliance matters for Celestica on a global basis. In March of 2007, Ms. DelBianco assumed the leadership of the Global Human Resources function. In this role, she oversees all human resources policies and practices and leads Celestica's efforts to attract, develop and retain key talent. In 2008, her role expanded to include responsibility for overseeing the Global Branding Organization. Ms. DelBianco came to Celestica following a 13-year career as a senior corporate legal advisor in the telecommunications industry. She holds a Bachelor of Arts degree from the University of Toronto, a Bachelor of Laws degree from Queen's University, and a Master of Business Administration degree from the University of Western Ontario. She is admitted to practice in Ontario and New York.

John Peri is Executive Vice President, Global Operations. He is responsible for overseeing Celestica's manufacturing and supply chain operations in Asia, Europe and the Americas. Mr. Peri previously held the role of President, Asia Operations, with responsibility for Celestica's manufacturing footprint in China, Hong Kong, India, Japan, Malaysia, Philippines, Singapore and Thailand. Prior to that, he held senior level positions in the areas of quality, manufacturing excellence, services and regional leadership. Mr. Peri joined IBM Canada in 1984 and was part of the founding management team of Celestica. Over the course of his career, he has held a number of leadership positions in operations, engineering and account management. He holds a Bachelor of Applied Science degree in Industrial Engineering from the University of Toronto.

Mary Gendron is Senior Vice President and Chief Information Officer. She is responsible for aligning Celestica's information technology strategy with its business goals by ensuring that the company's strategic investments in IT tools and processes drive its customers' success. Ms. Gendron joined Celestica in October 2008, following a five-year career at The Nielsen Company, one of the largest global information measurement and media companies, where she was the Senior Vice President, IT Infrastructure Shared Services. Prior to that, she was the Chief Information Officer at ACNielsen U.S. Over the course of her career, Ms. Gendron has held management positions of increasing seniority in information technology and supply chain management at Motorola and Bell Canada. Ms. Gendron holds a Bachelor of Engineering degree from McGill University in Montreal, Quebec.

Peter A. Lindgren is Senior Vice President and General Manager, Growth and Emerging Markets Segment. He leads a focused business unit that drives the strategic direction and growth of Celestica's business within key customer accounts in emerging markets. Previously, Mr. Lindgren held the role of Senior Vice President, Industry Market Segment and prior to that, was Senior Vice President, Business Development, overseeing Celestica's regional marketing and business development teams on a global basis. Prior to that, Mr. Lindgren was Vice President and General Manager, Cisco Global Customer Business Unit. He joined Celestica in February 1998 as Director of Operations in Corporate Development. Mr. Lindgren has worked in the electronics manufacturing services industry since 1985, and held a number of management positions in international operations, sales and marketing, program management and materials with SCI Systems and MTI International. He holds a Bachelor of Arts degree in Business Economics from Colorado College.

Michael P. McCaughey is Senior Vice President and General Manager, Communications Market Segment. He is responsible for the strategic direction of the company's communications business and all key activities associated with Celestica's customer accounts in this sector. Prior to joining Celestica in June 2005, Mr. McCaughey held the role of Senior Vice President, Wireline Network Systems, at Sanmina-SCI. Before joining Sanmina-SCI, Mr. McCaughey held senior roles at Hyperchip Inc. and SCI Systems (prior to that company's merger with Sanmina). He holds a DEC in Electrotechnology from Vanier College, Quebec and studied Electrical Engineering at McGill University in Montreal, Quebec.

Darren Myers is Senior Vice President and Corporate Controller. He is responsible for Celestica's corporate external reporting, financial planning and budgeting related matters. Mr. Myers rejoined Celestica in 2008 following two years as the Vice President, Finance, Small Medium Business for Bell Canada. Prior to that, Mr. Myers was the Vice President, Finance, Global Services at Celestica. He originally joined Celestica in 2000 where he was a key member of the Corporate Development team. Over the course of his career, Mr. Myers has held a number of leadership positions in the areas of operational finance, mergers and acquisitions, and controls compliance and disclosure. He holds an Honours Bachelor of Commerce degree from McMaster University in Ontario. He is also a Chartered Accountant.

Robert J. Sellers is Senior Vice President and General Manager, Enterprise and Consumer Market Segments. In this role, he is responsible for the strategic direction and growth of Celestica's customers in the global enterprise and consumer markets. Previously, Mr. Sellers was Senior Vice President, Global Sales, and prior to that, led the sales organization for Celestica's Americas and Asia regions. He joined Celestica in 2003 in the role of Vice President, Market Development in the area of Consumer Electronics. Mr. Sellers has had a 14-year career in the EMS industry with various leadership positions at Sanmina-SCI, SCI, Solectron and Avex. Prior to entering the EMS industry, Mr. Sellers was a highly decorated United States Army officer. He holds a Bachelor of Science degree in Industrial and Operations Engineering from the University of Michigan.

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

B. Compensation

Compensation of Directors

Director compensation is set by the Board of Directors on the recommendation of the Compensation Committee and in accordance with director compensation guidelines established by the Nominating and Corporate Governance Committee (the Governance Committee). Under these guidelines, the Board of Directors seeks to maintain director compensation at a level that is competitive with director compensation at comparable companies. The Compensation Committee engaged Towers Watson Inc. (Towers Watson) to provide benchmarking information in this regard. See "   Compensation Process" and "   Comparator Companies" for a discussion regarding the role of Towers Watson. The guidelines also contemplate that at least half of each director's annual retainer and meeting fees be paid in deferred share units (DSUs). Each DSU represents the right to receive one subordinate voting share of the Company or an equivalent value in cash when the director ceases to be a director.

2009 Fees

Table 1 sets out the annual retainers and meeting fees paid in 2009 to the Company's directors (other than Messrs. Schwartz and Muhlhauser who, as officers of Onex and the Company, respectively, did not receive such compensation).

Table 1: Retainers and Meeting Fees for 2009

Annual Board Retainer	$	65,000
Annual Retainer for Non-Executive Chairman[1]	$	130,000
Annual Retainer for Audit Committee Chair	$	20,000
Annual Retainer for Compensation Committee Chair	$	10,000
Annual Retainer for Executive Committee Chair	$	10,000
Board and Committee Per Day Meeting Fee[2]	$	2,500
Travel Fee[3]	$	2,500
Annual DSU Grant (for directors other than the Chairman)	$	120,000
Annual DSU Grant Chairman	$	180,000

(1) The non-executive Chairman of the Board of Directors also serves as chair of the Governance Committee, for which no additional fee is paid.

(2) Attendance fees are paid per day of meetings, regardless of whether a director attends more than one meeting in a single day, except that a separate attendance fee is paid for each Executive Committee meeting, even if it occurs on the same day as other meetings.

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

DSUs

Directors receive half of their annual retainer and meeting fees (or all of such retainer and fees, if they so elect) in DSUs. The number of DSUs granted in lieu of cash meeting fees is calculated by dividing the cash fee that would otherwise be payable by the closing price of subordinate voting shares on the New York Stock Exchange (the NYSE) on the last business day of the quarter in which the applicable meeting occurred. In the case of annual retainer fees, the number of DSUs granted is calculated by dividing the cash amount that would otherwise be payable quarterly by the closing price of subordinate voting shares on the NYSE on the last business day of the quarter.

Directors also receive annual grants of DSUs. In 2009, each director received an annual grant of $120,000 worth of DSUs, except for the Chairman, who received an annual grant of $180,000, and Ms. Koellner, who joined the Board on April 23, 2009 and received an annual grant of $90,000. The number of DSUs granted is calculated by dividing the cash amount that would otherwise be payable quarterly by the closing price of subordinate voting shares on the NYSE on the last business day of the quarter.

Eligible directors also receive an initial grant of DSUs when they are appointed to the Board of Directors. For individuals who become eligible directors after December 31, 2008, the initial grant is equal to the amount of the annual board retainer multiplied by 150% and divided by the closing price of subordinate voting shares on the NYSE on the last business day of the fiscal quarter immediately preceding the date when the individual becomes an eligible director. The DSUs comprising the initial grant vest upon the retirement of the eligible director. However, if an eligible director retires within a year of becoming an eligible director, all of the DSUs comprising the initial grant are forfeited and cancelled. If an eligible director retires less than two years but more than one year after becoming an eligible director, then two-thirds of the DSUs comprising the initial grant are forfeited and cancelled. If an eligible director retires within three years but more than two years after becoming an eligible director, then one-third of the DSUs comprising the initial grant are forfeited and cancelled. Forfeiture does not apply if a director ceases to be a director due to a change of control.

The compensation paid in 2009 by the Company to its directors is set out in Table 2. None of the directors received any fee or payment from the Company except as set out below. Mr. Schwartz is an officer of Onex and did not receive any compensation in his capacity as a director of the Company in 2009; however, Onex did receive compensation for providing the services of Mr. Schwartz as a director, see Item 7(B), "Related Party Transactions." Mr. Muhlhauser, as President and Chief Executive Officer of the Company, also did not receive any director's fees from the Company in 2009.

Table 2: Director Fees Earned in 2009

Name	Board Annual Retainer (a)	Chairman Annual Retainer (b)	Committee Chair Annual Retainer (c)	Total Meeting Attendance Fees (d)	Total Annual Retainer and Meeting Fees Payable ((a)+(b)+(c)+(d)) (e)	Portion of Fees Taken in Cash or Applied to DSUs and Value of DSUs[1] (f)	Annual DSU Grant (#) and Value of DSUs[1] (g)	Initial DSU Grant (#) and Value of DSUs (h)	Total ((e)+(g)+(h))
Robert L. Crandall		$ 130,000	$ 30,000	$ 65,000	$ 225,000	100% DSUs/ $225,000	28,752/$180,000		$ 405,000
William A. Etherington	$ 65,000		$ 10,000	$ 45,000	$ 120,000	100% DSUs/ $120,000	19,168/$120,000		$ 240,000
Laurette Koellner[2][3]	$ 48,750			$ 27,500	$ 76,250	100% DSUs/ $76,250	10,741/$90,000	26,393/ $ 180,000	$ 346,250
Richard S. Love[4]	$ 65,000			$ 37,500	$ 102,500	50% Cash & 50% DSUs/ $51,250	19,168/$120,000		$ 222,500
Eamon J. Ryan[3]	$ 65,000			$ 25,000	$ 90,000	100% DSUs/ $90,000	19,168/$120,000		$ 210,000
Don Tapscott	$ 65,000			$ 17,500	$ 82,500	100% DSUs/ $82,500	19,168/$120,000		$ 202,500

(1)

The annual retainer, meeting fees and annual grant for 2009 were paid quarterly and the number of DSUs granted in respect of the amounts paid quarterly for each such item was determined using the closing prices of subordinate voting shares on the NYSE on the last business day of each quarter, which were $3.56 on March 31, 2009, $6.82 on June 30, 2009, $9.48 on September 30, 2009 and $9.44 on December 31, 2009.

(2) Ms. Koellner became a director on April 23, 2009.

(3) Ms. Koellner and Mr. Ryan were appointed to the Audit, Compensation and Governance Committees as of March 9, 2010.

(4) Mr. Love is not standing for re-election and will retire from the Board of Directors on April 21, 2010.

The total fees earned by the Board of Directors in 2009 were $696,250. In addition, a total annual grant of DSUs worth $750,000 and an initial grant of DSUs worth $180,000 were issued.

Outstanding Option-Based and Share-Based Awards

In 2005, the Company amended its Long Term Incentive Plan (LTIP) to prohibit the granting of options to acquire subordinate voting shares to directors. Table 3 sets out information relating to option grants to directors which were made between 1998 and 2004 and which remain outstanding. All option grants were made with exercise prices set at the closing market price on the business day prior to the date of grant. Exercise prices range from $10.62 to C$72.60. Options vest over three or four years and expire after ten years. The final grant of options occurred on May 10, 2004; those options will expire on May 10, 2014. Mr. Schwartz, as an employee of Onex during that period, was not granted options. Mr. Ryan and Ms. Koellner, both of whom became directors after May 2004, have not been granted any options under the LTIP.

DSUs that were granted prior to January 1, 2007 will be paid out in the form of subordinate voting shares issued from treasury. DSUs granted after January 1, 2007 will be paid out in the form of subordinate voting shares purchased in the open market or an equivalent value in cash. The date used in valuing the DSUs shall be a date within 90 days of the date on which the individual in question ceases to be a director. The DSUs shall be redeemed and payable on or prior to the 90th day following the date on which the individual ceases to be a director. The total number of DSUs outstanding for each director is included in Table 3 under the column "Share-Based Awards."

The following table sets out, for each director, information concerning all option-based and share-based awards outstanding as of December 31, 2009 (this includes awards granted before the most recently completed financial year).

Table 3: Outstanding Option-Based and Share-Based Awards

	Option-Based Awards[1]				Share-Based Awards[2]	
Name	**Number of Securities Underlying Unexercised Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Value of Unexercised In-the-Money Options ($)**	**Number of Outstanding Units (#)**	**Market Payout Value of Outstanding Units ($)**
Robert L. Crandall						
Jul. 7, 2000	20,000	$ 48.69	Jul. 7, 2010			
Jul. 7, 2001	20,000	$ 44.23	Jul. 7, 2011			
Apr. 18, 2003	10,000	$ 10.62	Apr. 18, 2013			
May 10, 2004	10,000	$ 18.25	May 10, 2014			
					312,807	$ 2,952,898
William A. Etherington						
Oct. 22, 2001	20,000	$ 35.95	Oct. 22, 2011			
Apr. 21, 2002	5,000	$ 32.40	Apr. 21, 2012			
Apr. 18, 2003	5,000	$ 10.62	Apr. 18, 2013			
May 10, 2004	5,000	$ 18.25	May 10, 2014			
					135,279	$ 1,277,034
Laurette Koellner					46,166	$ 435,807
Richard S. Love						
Jul. 7, 2000	10,000	$ 48.69	Jul. 7, 2010			
Jul. 7, 2001	10,000	$ 44.23	Jul. 7, 2011			
Apr. 18, 2003	2,500	$ 10.62	Apr. 18, 2013			
May 10, 2004	2,500	$ 18.25	May 10, 2014			
					79,485	$ 750,338
Eamon J. Ryan					70,340	$ 664,010
Don Tapscott						
Jul. 7, 2000	20,000	C$ 72.60	Jul. 7, 2010			
Jul. 7, 2001	20,000	C$ 66.78	Jul. 7, 2011			
Apr. 18, 2003	5,000	$ 10.62	Apr. 18, 2013			
May 10, 2004	5,000	$ 18.25	May 10, 2014			
					130,471	$ 1,231,646

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(1) All options granted under the option-based awards have vested.

(2) Represents all outstanding share units. The market payout value was determined using a share price of $9.44, which was the closing price of subordinate voting shares on the NYSE on December 31, 2009.

Directors' Equity Interest

The following table sets out each director's direct or indirect beneficial ownership of, or control or direction over, equity in the Company, and any changes therein since February 23, 2009.

Table 4: Equity Interest Other than Options and Outstanding Share-Based Awards[(1)]

Name	Date	Subordinate Voting Shares[(2)] #	Market Value*
Robert L. Crandall	Feb. 23, 2009	70,000	$ 745,500
	Feb. 22, 2010	70,000	
	Change		
William A. Etherington			
	Feb. 23, 2009	10,000	$ 106,500
	Feb. 22, 2010	10,000	
	Change		
Laurette Koellner			$
	Feb. 23, 2009		
	Feb. 22, 2010		
	Change		
Richard S. Love			
	Feb. 23, 2009	5,000	$ 53,250
	Feb. 22, 2010	5,000	
	Change		
Eamon J. Ryan			$
	Feb. 23, 2009		
	Feb. 22, 2010		
	Change		
Gerald W. Schwartz[(3)]			
	Feb. 23, 2009	2,184,975	$ 16,741,555
	Feb. 22, 2010	1,571,977	
	Change	(612,998)	
Don Tapscott			
	Feb. 23, 2009	5,700	$ 60,705
	Feb. 22, 2010	5,700	
	Change		

*
Based on the NYSE closing share price of $10.65 on February 22, 2010.

(1)
Information as to securities beneficially owned, or controlled or directed, directly or indirectly, is not within the Company's knowledge and therefore has been provided by each nominee.

(2)
Certain subordinate voting shares subject to options granted pursuant to management investment plans of Onex are included as owned beneficially by named individuals although the exercise of these options is subject to Onex meeting certain financial targets. More than one person may be deemed to have beneficial ownership of the same securities.

(3)
Mr. Schwartz is deemed to be the beneficial owner of the 18,946,368 multiple voting shares owned by Onex, which have a market value of $201,778,819 as of February 22, 2010.

Shareholding Requirements

The Company has minimum shareholding requirements for independent directors (the "Guideline"). The Guideline provides that an independent director who has been on the Board of Directors:

for five years or more must hold securities of the Company having a market value of at least five times that director's then applicable annual retainer, and after such level of ownership has been obtained, shall continue to invest a significant portion of the annual retainer in securities of the Company;

for two years or more (but less than five years) must hold securities of the Company having a market value of at least three times that director's then applicable annual retainer;

for one year or more (but less than two years) must hold securities of the Company having a market value of at least one time that director's then applicable annual retainer; and

for less than a year are encouraged, but not required, to hold securities of the Company.

Although directors will not be deemed to have breached the Guideline by reason of a decrease in the market value of the Company's securities, the directors may be required to purchase further securities within a reasonable period of time to comply with the Guideline. The Guideline came into effect on April 22, 2004 and each director's holdings of securities, which for the purposes of the Guideline include all subordinate voting shares, DSUs and RSUs, are reviewed annually each year on December 31. As of December 31, 2009, all of the directors of the Company were, or were on track to be, in compliance with the Guideline as set out in the following table.

Table 5: Shareholding Requirements

	Shareholding Requirements			
Director	**Target Value (5x annual retainer)**	**Date by which Target to be Met**	**Value as of December 31, 2009[3]**	**On Track as of December 31, 2009**
Robert L. Crandall	$ 800,000	Apr. 22, 2010	$ 3,613,698	Yes
William A. Etherington	$ 375,000	Apr. 22, 2010	$ 1,371,433	Yes
Laurette Koellner	$ 325,000	Apr. 23, 2014	$ 435,807	Yes
Richard S. Love[1]	$ 325,000	N/A	$ 797,538	N/A
Craig H. Muhlhauser[2]				
Eamon J. Ryan	$ 325,000	Oct. 24, 2013	$ 664,010	Yes
Gerald W. Schwartz[2]				
Don Tapscott	$ 325,000	Apr. 22, 2010	$ 1,285,454	Yes

(1) Mr. Love is not standing for re-election and will retire from the Board of Directors on April 21, 2010.

(2) As Messrs. Muhlhauser and Schwartz are not independent directors, neither of them receives a retainer or other fee for their services as a director (however, Onex did receive compensation for providing the services of Mr. Schwartz as a director, see item 7(B), "Related Party Transactions,") and neither is subject to the minimum shareholding requirements of the Guideline.

(3) The value of the aggregate number of subordinate voting shares, DSUs and RSUs held by each director is determined using a share price of $9.44, which was the closing price of subordinate voting shares on the NYSE on December 31, 2009.

Attendance of Directors at Board of Directors and Committee Meetings

The following table sets forth the attendance of directors at Board of Directors and Committee meetings from the beginning of 2009 to February 22, 2010.

Table 6: Directors' Attendance at Board of Directors and Committee Meetings

						Meetings Attended %	
Director	**Board**	**Audit**	**Compensation**	**Governance**	**Executive**	**Board**	**Committee**
Robert L. Crandall[1]	8 of 8	7 of 7	6 of 6	5 of 5	7 of 7	100%	100%
William A. Etherington[2]	8 of 8	7 of 7	6 of 6	5 of 5	7 of 7	100%	100%
Laurette Koellner[3][4]						100%	

	5 of 5					
Richard S. Love	8 of 8			5 of 5	100%	100%
Craig H. Muhlhauser	8 of 8				100%	
Eamon J. Ryan[4]	8 of 8				100%	
Gerald W. Schwartz	8 of 8				100%	
Don Tapscott	4 of 8	4 of 7	3 of 6	2 of 5	50%	50%

(1) Mr. Crandall is chair of each of the Audit, Governance and Executive Committees.

(2) Mr. Etherington is chair of the Compensation Committee.

(3) Ms. Koellner became a director on April 23, 2009.

(4) Ms. Koellner and Mr. Ryan were appointed to the Audit, Compensation and Governance Committees as of March 9, 2010.

As of December 31, 2009, no amounts have been set aside or accrued by the Company, except as described herein, to provide pension, retirement and similar benefits to the directors.

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis sets out the policies of the Company for determining compensation paid to the Company's Chief Executive Officer (the "CEO"), its Chief Financial Officer (the "CFO") and the three other most highly compensated executive officers (collectively, the "Named Executive Officers" or "NEOs"). A description and explanation of the significant elements of compensation awarded to the NEOs during 2009 is set out in the section entitled " 2009 Compensation Decisions."

Compensation Objectives

The Company's executive compensation philosophies and practices are designed to attract, motivate and retain the leaders who will drive the success of the Company. The Company benchmarks itself against a comparator group of similarly sized technology companies as set out in Table 7 (the "Comparator Group"), including six direct competitors of the Company in the electronics manufacturing services industry: Benchmark Electronics, Inc., Flextronics International Ltd., Jabil Circuit, Inc., Plexus Corp., Sanmina-SCI Corp. and Tyco Electronics Ltd.

Compensation for executives is linked to the Company's performance. Target compensation is positioned at the median of the comparator group for median level performance, with the opportunity for above median compensation for performance that exceeds the median of the Comparator Group and less than median compensation for performance that is below the median of the Comparator Group.

The compensation package is designed to:

- provide competitive fixed compensation (i.e., base salary and benefits) and a substantial amount of at-risk pay, which will be realized through the annual and equity-based incentive plans;
- reward executives for achieving operational and financial results that meet or exceed the Company's business plan and that are superior to those of Benchmark Electronics, Inc., Flextronics International Ltd., Jabil Circuit, Inc. and Sanmina-SCI Corp. (collectively, the "EMS Competitors") through both annual incentives and equity-based incentives;
- align the interests of executives and shareholders through equity-based compensation;
- recognize that the executives work as a team to achieve corporate results; and
- ensure direct accountability for the annual operating results and the long-term financial performance of the Company.

Independent Advice

The Compensation Committee has engaged Towers Watson as its independent compensation consultant to assist in identifying appropriate comparator companies against which to evaluate the Company's compensation levels, to provide data about those companies, and to provide observations and recommendations with respect to the Company's compensation practices versus both the comparator group and the market in general.

Management works with Towers Watson to review and, where appropriate, develop and recommend compensation programs that will ensure the Company's practices are competitive with market practices. Towers Watson also provides advice to the Compensation Committee on the policy recommendations prepared by management and keeps the Compensation Committee apprised of market trends in executive compensation. Towers Watson attended portions of all Compensation Committee meetings held in 2009, in person or by telephone, as requested by the Chairman of the Compensation Committee. The Compensation Committee holds *in camera* sessions with Towers Watson at each of its meetings.

Decisions made by the Compensation Committee, however, are the responsibility of the Compensation Committee and may reflect factors and considerations other than the information and recommendations provided by Towers Watson.

Each year, the Chairman of the Compensation Committee reviews the scope of activities of Towers Watson and, if he deems appropriate, approves the corresponding budget. Any services and fees not related to executive compensation must be approved by the Chairman. In 2009, the executive compensation advisor retainer fees paid to Towers Watson totalled C$199,142. Additional consulting services fees paid to Towers Watson regarding international executive benefits totalled C$57,072 for 2009 and fees paid for data services (both executive and non-executive) totalled C$22,631. Towers Watson did not provide any non-executive compensation consulting services in 2009.

Compensation Process

The Compensation Committee reviews and approves compensation for the CEO and the other NEOs, including base salaries, annual incentive awards and equity-based incentive grants. Compensation for the other NEOs is reviewed in consultation with the CEO. The Compensation Committee works with Towers Watson when determining the compensation of the NEOs, including the CEO. The Compensation Committee's decisions are then reviewed with the Board.

The Compensation Committee generally meets five times a year. At the July meeting, the Compensation Committee, based on recommendations from Towers Watson, selects the comparator group that will be used for the compensation review. At the October meeting, Towers Watson presents a competitive analysis of the total compensation for each of the NEOs, including the CEO, based on the established comparator group. Using this analysis, the Chief Legal and Administrative Officer (the "CLO"), who has responsibility for Human Resources, together with Towers Watson and the CEO develop base salary and equity-based incentive recommendations for the NEOs, except that the CEO and CLO do not participate in the preparation of their own compensation recommendations. At the December meeting, base salary recommendations for the NEOs for the following year and the value of their equity-based incentives are approved. Previous grants of equity-based awards and the current retention value of same are reviewed and may be taken into consideration when making this decision. At the January meeting, the Compensation Committee approves the final mix of the equity-based incentives. The CLO is not present at the Compensation Committee meetings when her compensation is discussed.

The foregoing process is also followed for determining the CEO's compensation except that the CLO works with Towers Watson to develop a proposal for base salary and equity-based incentive grants. The Compensation Committee then reviews the proposal with Towers Watson in the absence of the CEO. At that time, the Compensation Committee also considers the potential value of the total compensation package for the CEO at different levels of performance and different stock prices to ensure that there is an appropriate link between pay and performance taking into consideration the range of potential total compensation.

In terms of the Company's annual incentive plan, targets based on a management plan approved by the Board are approved by the Compensation Committee at the beginning of the year. The Compensation Committee reviews the Company's performance relative to these targets and the projected payment at the October and December Compensation Committee meetings. At the January meeting of the following year, final payments under the plan, as well as the vesting percentages for any previously granted equity-based incentives that have performance vesting criteria, are calculated and approved by the Compensation Committee based on the Company's year-end results as approved by the Audit Committee. These amounts are then paid in February.

Comparator Companies

The Compensation Committee benchmarks salary, annual incentive and equity-based incentive awards to the Comparator Group. The revenues of the Comparator Group companies are generally in the range of half to twice the Company's revenues. In addition, for 2009 the Committee included in the Comparator Group three electronics manufacturing services competitors whose revenues were outside this range: Benchmark Electronics, Inc., Plexus Corp. and Flextronics International Ltd.

The Company's 2009 Comparator Group consisted of the following companies.

Table 7: Comparator Group

Company Name	2008 Annual Revenue (millions)	Company Name	2008 Annual Revenue (millions)
Advanced Micro Devices	$ 5,808	Sanmina-SCI Corp.	$ 7,202
Agilent Technologies Inc.	$ 5,774	Seagate Technology	$12,708
Applied Materials Inc.	$ 8,129	Sun Microsystems Inc.	$13,880
Benchmark Electronics, Inc.	$ 2,590	Texas Instruments Inc.	$12,501
Corning Inc.	$ 5,948	Tyco Electronics Ltd.	$14,834
EMC Corp (Mass)	$14,876	Western Digital Corp.	$ 8,074
Flextronics International Ltd.	$30,949	Xerox Corp.	$17,608
Harris Corp.	$ 5,311		
Jabil Circuit, Inc.	$12,780	25th Percentile	$ 5,315
Lexmark International Inc.	$ 4,528	50th Percentile	$ 7,202
Micron Technology Inc.	$ 5,841	75th Percentile	$12,780
NCR Corp.	$ 5,315		
NVIDIA Corp.	$ 3,425	**Celestica Inc.**	**$ 7,678**
Plexus Corp.	$ 1,842	*Percentile Rank*	*53rd percentile*

Financial data as of June 30, 2009. Source: Standard & Poor's Research Insight

Additionally, broader market compensation data for other similarly sized organizations provided by Towers Watson is referenced in accordance with a process approved by the Compensation Committee.

Compensation Elements for the Named Executive Officers

The compensation of the NEOs is comprised of the following elements:

- base salary;
- annual incentives (annual variable cash payments);
- equity-based incentives (restricted and performance share units and stock options);
- benefits; and
- perquisites.

Weighting of Compensation Elements

The variable portion of total compensation has the highest weighting at the most senior levels. Annual and equity-based incentive plan rewards are contingent upon organizational performance and ensure a strong alignment with shareholder interests. The weighting of compensation elements for 2009 is set out in the following table.

Table 8: Weighting of Compensation Elements

	Base Salary	Annual Incentive	Equity-based Incentives
CEO	16.7%	16.7%	66.6%
EVPs	22.8%	18.2%	59.0%

Base Salary

The objective of base salary is to attract, reward and retain top talent. Executive positions are benchmarked against the Comparator Group, with base pay targeted at the market median of this group. Base salaries are reviewed annually and adjusted as appropriate, with consideration given to individual performance, relevant knowledge, experience and an executive's level of responsibility within the organization.

Celestica Team Incentive Plan (CTI)

The objective of the CTI is to reward all eligible employees, including the NEOs, for the achievement of annual corporate, business unit, and individual goals and objectives. Target awards for each of the NEOs are expressed as a percentage of salary and established based on the median of the Comparator Group. Actual awards for the NEOs are based on (i) the achievement of pre-determined corporate and individual goals and (ii) corporate performance relative to that of the EMS Competitors. Actual payouts can vary from 0% for performance below a threshold up to a maximum of 200% of the target bonus. Awards are derived according to the following formula:

For 2009, the business performance goals were comprised of the following elements:

- corporate EBIAT (50%);
- corporate revenue (25%); and
- corporate ROIC (25%).

Individual contribution is recognized through the individual component and individual performance factor ("IPF"). The IPF is based on a review of each NEO's individual performance relative to business results, teamwork and the executive's key accomplishments. This factor can adjust the executive's actual award by a factor of between 0.0x and 1.5x.

The Compensation Committee also applies a relative performance factor (RPF) based on an evaluation of the Company's performance for the year relative to that of the EMS Competitors. This evaluation is based on a ROIC-based performance metric but is ultimately within the Compensation Committee's discretion. This factor can adjust the executive's actual award by a factor of between 0.5x and 1.5x.

Actual results relative to the targets, as described above, determine the amount of the annual incentive subject to the following: (i) a minimum corporate profitability threshold must be achieved to pay the business performance component and (ii) the maximum award is two times the target.

Equity-Based Incentives

The Company's equity-based incentives for the NEOs consist of RSUs, performance share units (PSUs) and stock options. The objectives of the equity-based incentive plans are to:

- align the NEO's interests with those of shareholders and incent appropriate behaviour for long-term performance;
- reward contribution to the Company's long-term success; and
- enable the Company to attract, motivate and retain the qualified and experienced employees who are critical to the Company's success.

At the December meeting, the Compensation Committee determines the dollar value of the equity-based grants to be awarded to the NEOs based on the comparator data analysis. The actual equity mix to be awarded is approved at the January meeting of the Compensation Committee. On the grant date, the dollar value is converted into the number of units that will be granted using the market price of the Company's subordinate voting shares as defined by the applicable plan. RSUs and PSUs can be issued under the LTIP or the Celestica

Share Unit Plan (CSUP). The annual grants are generally made immediately following the blackout period that ends 48 hours after the Company's year-end results have been released.

Target equity-based incentives are determined based on the median awards of the Comparator Group; however, consideration is given to individual performance when determining actual awards. The equity mix varies by employee level and targets a higher percentage of performance elements at the NEO levels where there is a stronger influence on results. The target mix of equity-based incentives is reviewed by the Compensation Committee each year and for 2009 the targets for the NEOs were as follows:

40% RSUs;

35% PSUs; and

25% stock options.

The CEO has the discretion to issue equity-based awards throughout the year to attract new hires and to retain current employees within limits set by the Compensation Committee. The number of units available throughout the year for these grants is pre-approved by the Compensation Committee at the January meeting. Subject to the Company's blackout periods, these grants typically take place at the beginning of each month. Any grants to NEOs must be reviewed with the Compensation Committee at the next meeting and in practice are reviewed in advance with the Chairman of the Compensation Committee.

RSUs

NEOs are granted RSUs under either the LTIP or the CSUP as part of the Company's annual grant. RSUs granted prior to February 2008 are released on the first day of December two years following the grant (i.e., RSUs granted in February 2007 were released on December 1, 2009). Generally, RSUs granted in February 2008 or later are released one-third on each of the first two anniversaries of the grant date and the final third is released on the first day of December two years following the grant. Grants made throughout the year for new hires or retention purposes will be released at a rate of one-third per year. Each RSU entitles the holder to one subordinate voting share of the Company on the release date. The payout value of the award is based on the number of RSUs being released and the share price at the time of release. The Company has the right to settle proceeds of release in either cash or shares.

PSUs

NEOs are granted PSUs under the CSUP. PSUs vest at the end of a three-year performance period subject to pre-determined performance criteria. The number of PSUs that actually vests will range from 0% to 200% of target depending on the Company's ranking in the third year of the performance period relative to that of the EMS Competitors based on an ROIC metric approved by the Compensation Committee. The vesting schedule is outlined in the following table.

Table 9: PSU Vesting Schedule

Celestica's ROIC Metric	Performance Multiplier
Equal to/greater than highest performance of the EMS Competitors	200% of target
Between the median and highest performance	Prorated between 100%-200%
Equal to median performance of the EMS Competitors	100% of target
Between the median and lowest performance	Prorated between 0%-100%
Equal to/lower than lowest performance of the EMS Competitors	0% of target

The payout value of the award is based on the number of PSUs that vests and the share price at the time of release. Each PSU entitles the holder to receive one subordinate voting share of the Company on the release date. The Company has the right to settle the proceeds in either cash or shares.

Stock Options

Stock options are awarded under the LTIP. Stock options vest at a rate of 25% annually on each of the first four anniversaries of the date of grant and expire after a 10-year term. The payout value of the award is equal to the increase, if any, in share price at the time of exercise over the exercise price, which is the closing market price on the business day prior to the date of the grant.

The value of the stock options granted in respect of 2009 was determined at the December meeting of the Compensation Committee. The number of stock options granted was determined using (i) the closing price on February 1, 2010 on the NYSE of $10.20, and (ii) a Black-Scholes factor of 0.45 determined using the same methodology as is used to determine Black-Scholes for stock option expensing purposes. The Black-Scholes factor was determined using the following variables: (i) volatility of the price of subordinate voting shares, and (ii) the risk-free rate over the expected life of the options. The exercise price for the stock options is the closing price on February 1, 2010, being C$10.77 on the TSX for Messrs. Nicoletti and Peri and Ms. DelBianco, and $10.20 on the NYSE for Messrs. Muhlhauser and Boucher.

In determining the number of options to be granted, the Company keeps within a maximum level for both option "burn rate" and "overhang." "Burn rate" refers to the number of shares issued under equity plans in a given year relative to the total number of shares outstanding. In 2005, the Company amended the LTIP to provide that the number of options and share units awarded under the plan in any given year cannot exceed 1.2% of the total number of shares outstanding. "Overhang" refers to the total number of shares reserved for issuance under equity plans at any given time relative to the total number of shares outstanding. The Company has significantly reduced the number of stock option grants awarded and currently has an "overhang" of 11.3%.

Other Compensation

Benefits

NEOs participate in the Company's health, dental, pension, life insurance and long-term disability programs. Benefit programs are based on market median levels in the local geography.

Perquisites

NEOs are entitled to a bi-annual comprehensive medical at a private health clinic. The Company also pays housing expenses for Mr. Muhlhauser in Toronto, travel costs between his home in New Jersey and Toronto, the services of a tax advisor and the associated tax gross-up(s). The Company does not provide any other perquisites.

Celestica Employee Share Ownership Plan (the CESOP)

The CESOP enables eligible employees, including NEOs, to acquire subordinate voting shares, so as to encourage continued employee interest in the Company's operation, growth and development. Under the CESOP, an eligible participant may elect to contribute an amount representing no more than 10% of his or her salary. The Company will contribute 25% of the amount that the employee contributes, up to a maximum of 1% of the employee's salary for the relevant payroll period. Contributions are used to purchase subordinate voting shares of the Company on the open market. The CESOP was suspended on June 1, 2009.

Executive Share Ownership

The Company has share ownership guidelines for the CEO and the other NEOs. The guidelines provide that these individuals are to hold a multiple of their salary in Celestica subordinate voting shares as shown in Table 10 below. Executives subject to ownership guidelines are expected to achieve the specified ownership within a period of five years following the later of: (i) the date of hire, or (ii) the date of promotion to a level subject to ownership guidelines. Compliance is reviewed annually as of December 31 of each year.

Table 10: Share Ownership Guidelines

Name	Ownership Guidelines	Share Ownership (Value)(1)	Share Ownership (Multiple of Salary)
Craig H. Muhlhauser	$3,000,000 (3 × salary)	$ 16,858,905	16.9x
Paul Nicoletti	$1,024,000 (2 × salary)	$ 5,437,827	10.6x
John Peri	$1,008,000 (2 × salary)	$ 4,919,401	9.8x
Elizabeth L. DelBianco	$888,000 (2 × salary)	$ 4,052,054	9.1x
John Boucher	$1,000,000 (2 × salary)	$ 4,419,959	8.8x

(1) Includes the following, as of December 31, 2009: (i) subordinate voting shares beneficially owned, (ii) all unvested RSUs, (iii) PSUs that vested on February 1, 2010 at 200% of target, which, on December 31, 2009, was the Company's anticipated payout and was in fact the resulting payout, and (iv) all other PSUs at 100% of the target level of performance; in each case, the value of which was determined using a share price of $9.44 being the closing price of subordinate voting shares on the NYSE on December 31, 2009.

Recoupment Provisions

The Company is subject to the Sarbanes-Oxley Act of 2002. Accordingly, if the Company is required to restate financial results due to misconduct or material non-compliance with financial reporting requirements, the CEO and CFO would be required to reimburse the Company for any bonuses or incentive-based compensation they had received during the 12-month period following the restatement, as well as any profits they had realized from the sale of corporate securities during that period.

Under the terms of the stock option grants and the grants made under the LTIP and the CSUP, a NEO may be required by the Company to repay an amount equal to the market value of the shares at the time of release, net of taxes, if, within 12 months of the release date, the executive:

accepts employment or accepts an engagement to supply services, directly or indirectly, to a third party, that is in competition with the Company or any of its subsidiaries; or

fails to comply with, or otherwise breaches, the terms and conditions of a confidentiality agreement or non-disclosure agreement with, or confidentiality obligations to, the Company or any of its subsidiaries; or

on his or her behalf or on another's behalf, directly or indirectly recruits, induces or solicits, or attempts to recruit, induce or solicit any current employee or other individual who is/was supplying services to the Company or any of its subsidiaries.

Executives who resign or are terminated for cause also forfeit all unvested RSUs, PSUs and stock options.

2009 Compensation Decisions

Each element of compensation is considered independently of the other elements. However, the total package is reviewed to ensure that the median total compensation objective for median levels of corporate and individual performance is achieved.

Comparator Companies and Market Positioning

Benchmarking for all elements of NEO compensation was based on the Comparator Group. Salary, target annual incentive and equity-based incentive grants for the NEOs were benchmarked at the market median of the Comparator Group.

Base Salary

The base salaries for the NEOs were reviewed taking into account individual performance and experience, level of responsibility and median competitive data.

In 2009, Mr. Boucher received a 16% increase in base salary to ensure competitiveness within the market. Messrs. Muhlhauser, Nicoletti and Peri and Ms. DelBianco did not receive increases in 2009 as their existing salaries were competitive with the market.

Celestica Team Incentive Plan (CTI)

Target annual incentive awards for the CEO and other NEOs are 100% of salary and 80% of salary, respectively. Annual incentives take into account both individual and business performances on a variety of factors as set forth below. On average, in 2009 average payments to the NEOs were 54% lower than the previous year.

Business Performance

In 2009, the business performance component payout factor was 41.5% based on the following results:

Table 11: Business Performance

Measure	Weight	Percentage Achievement Relative to Target
Operating Margin (EBIAT)(1)	50%	57.5%
Corporate Revenue(2)	25%	0.0%
Return on Invested Capital (ROIC), excluding intangibles(3)	25%	51.1%
Payout Factor		41.5%

(1) EBIAT was calculated as earnings before interest, amortization of intangible assets (except amortization of computer software), total stock-based compensation expense and other charges (including restructuring costs, the write-down of long-lived assets and gains or losses on the repurchase of shares and debt) and the related income tax effects of these adjustments.

(2) Corporate revenue means the Company's gross revenue.

(3) ROIC, excluding intangibles, was calculated as EBIAT divided by average net invested capital where average net invested capital includes tangible assets less cash, accounts payable, accrued liabilities and income taxes payable.

In assessing operating performance and operational effectiveness, the Company uses certain non-GAAP measures such as adjusted gross margin, operating margin (EBIAT) and ROIC that do not have any standardized meaning prescribed by Canadian or U.S. GAAP and are not necessarily comparable to similar measures presented by other companies. Beginning with the fourth quarter of 2009, the Company revised the definition of its non-GAAP measures to exclude all stock-based compensation expenses (in addition to the items previously excluded) to allow for a better comparison with its major North American EMS competitors. All prior period comparables reflect the revised definition. Additional information regarding these non-GAAP measures can be found in Item 5, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Relative Performance Factor (RPF)

The Company's 2009 performance was ranked relative to that of the EMS Competitors on a ROIC performance metric. The Company ranked first amongst such EMS Competitors which resulted in a RPF that exceeded the 1.5x cap, resulting in the maximum RPF of 1.5x. For this comparison, the Company used adjusted ROIC, which is calculated as adjusted net earnings divided by average net invested capital.

Individual Performance Factor (IPF)

Each year, the Board and the CEO agree on performance goals for the CEO. Goals for the other NEOs that will support the CEO's goals are then agreed to and established. For 2009, the CEO's goals focused on: financial performance, operational effectiveness, growing the business and leadership. Each NEO's performance is then measured on a number of factors including the formal goals established for the year. Specific measures and achievements for each NEO in 2009 were:

Chief Executive Officer

Financial performance: ROIC grew from 14.6% in 2008 to 22.0% in 2009, but was below the target for 2009. ROIC for this measure was calculated by dividing EBIAT (as defined in footnote 1 to Table 11) by average net invested capital, including intangibles. Average net invested capital, including intangibles, included total assets less cash, accounts payable, accrued liabilities and income taxes payable.

Operational effectiveness: The target for reduction in total spend, as a percentage of manufacturing value add, was not met.

Growing the business: The revenue and bookings objectives were not met.

Leadership: The target for improving the employee commitment index was exceeded.

In addition to the goals listed above, the Compensation Committee's assessment of Mr. Muhlhauser's performance in 2009 also reflected the following achievements of the Company:

its best ever adjusted gross margin (7.4%);

its best operating margin (3.5%) since 2001;

its best ever ROIC, including intangibles, (22.0%) and highest among the EMS Competitors;

the best inventory turns (8.1x) compared with the EMS Competitors;

second highest adjusted gross margin among the EMS Competitors; and

second highest operating margin among the EMS Competitors.

Other NEOs

Each of the other NEOs has responsibility for the achievement of the CEO's corporate goals and objectives. The CEO's assessment of each of the other NEO's contributions to the Company's results is largely subjective and based on his judgment of each of the other NEO's contributions as a part of the senior leadership team. The achievement of individual goals is not quantitatively tied to compensation; however, the CEO's overall assessment of each NEO's achievements is a factor in determining the NEO's overall compensation.

Other factors considered in the evaluation of each NEO included the following:

(i) Under the leadership of Mr. Nicoletti, the Company's share price more than doubled from December 31, 2008 to December 31, 2009, its market capitalization increased approximately 105% to $2.2 billion at December 31, 2009 and the Company led the industry on a number of financial metrics, including return on invested capital. Mr. Nicoletti also oversaw the development and implementation of a roadmap that is projected to provide a reduction in finance spend year over year. In addition, the Company repaid the principal amount of $489 million in debt, contributing to the reduction in annual interest expense for the year.

(ii)

Mr. Peri's global operating organization made significant contributions to the Company in 2009. Celestica's operations organization under Mr. Peri's leadership continued to drive productivity and cost reduction while improving customer satisfaction. The organization successfully implemented restructuring programs with minimal impact to operations and customers. Despite a decline in year to year revenue, strong management of production costs delivered improvements in operating margin and return on invested capital, while maintaining the highest inventory turns of any of the EMS Competitors.

(iii)

Ms. DelBianco achieved or exceeded goals with respect to operational effectiveness, employee engagement, growth and customer intimacy as well as activities affecting financial results. A number of important human resources and communications initiatives were implemented, including programs to improve employee engagement, which resulted in the Company's Employee Engagement Index exceeding the 2009 target, and the roll-out of the Company's first global recognition program. The organizations for which Ms. DelBianco was responsible successfully managed a number of contract, legal and securities matters and drove significant financial recoveries through effective litigation management.

(iv)

Mr. Boucher's performance was measured on several performance metrics. Under his guidance, the Company gained additional business from existing customers as well as new account wins, although the Company did not meet overall booking targets due to continued global economic uncertainty. The Company achieved higher material value-add service targets and a new Senior Vice President, Global Sales was hired to drive strategic growth targets. In addition, the after-market services groups were aligned with Operations in their respective regions, and significant customer, process and supplier quality improvement objectives were achieved.

Equity-Based Incentives

Equity grants to NEOs in respect of 2009 performance consisted of RSUs, PSUs and stock options. The number of RSUs and options under the LTIP and PSUs under the CSUP issued to the NEOs was based on a market price as defined under the respective Plans. Please see " Compensation Discussion and Analysis Equity-Based Incentives" for a description of the plans. The actual mix of the grants was approved by the Compensation Committee at a meeting on January 26, 2010 and the grants were issued on February 2, 2010.

The Company provided the NEOs the following equity-based compensation on February 2, 2010 in respect of 2009 performance. On average, the value of equity granted to the NEOs was 20% lower than the previous year. The total number of options issued for 2009 to the NEOs was equal to 0.21% of outstanding shares, and the total number of options issued for 2009 to all employees receiving options was 0.33% of outstanding shares.

Table 12: NEO Equity Awards

Name	RSUs (#)	PSUs (#)[1]	Stock Options (#)	Value of LTI Award (000s)[2]
Craig H. Muhlhauser	160,643	137,255	217,865	$ 4,000
Paul Nicoletti	57,831	49,412	78,431	$ 1,440
John Peri	48,193	41,176	65,359	$ 1,200
Elizabeth L. DelBianco	48,193	41,176	65,359	$ 1,200
John Boucher	48,193	41,176	65,359	$ 1,200

(1) The number of PSUs is included at 100% of target level of performance.

(2) Based on the share price of $10.20, being the closing price of subordinate voting shares on the NYSE on February 1, 2010 and, with respect to stock options, a Black-Scholes factor of 0.45.

Performance Graph

The subordinate voting shares of the Company have been listed and posted for trading under the symbol "CLS" on the NYSE and the TSX since June 30, 1998 (except for the period commencing on November 8, 2004 and ending on May 15, 2006 during which the symbol on the TSX was CLS.SV). The following chart compares the cumulative total shareholder return of C$100 invested in subordinate voting shares of the Company on December 31, 2004 (the Company did not declare or pay any dividends during this period) with the cumulative total shareholder return of the S&P/TSX Composite Total Return Index for the period December 31, 2004 to December 31, 2009.

As can be seen from the performance graph above, an investment in the Company on January 1, 2005 would have resulted in a 41% loss in value over the five-year period ended December 31, 2009 compared with a 45% increase that would have resulted from an investment in the S&P/TSX Composite Total Return Index over the same period.

The compensation of the Company's NEOs has fluctuated over the same period as the Company dealt with, amongst other things, a significant decline in demand, competitive pressures, operational issues in some regions, significant restructuring and various leadership changes. In 2006, total compensation for NEOs decreased by 57% compared to 2005, from $11.3 million in 2005 to $4.9 million (excluding severance costs). The reduction in total compensation for NEOs was largely attributable to reduced long-term incentive grants to certain NEOs.

After significant operational challenges were experienced in the second half of 2006, senior management changes were made across the Company. The new management team implemented major process improvements across all areas of the Company with a specific focus on improving profitability, reducing working capital and strengthening the Company's financial position. As management implemented these changes during 2007 and 2008, the Company's operating performance and financial results showed significant improvements to the point where the Company was the strongest financial performer amongst the EMS Competitors by the end of 2008.

During this period of improved performance, total compensation for the NEOs increased to $15.2 million in 2007 and $19.8 million in 2008. These increases were a result of implementing competitive compensation packages for the Company's leadership team, as well as maximum annual incentive payouts due to strong corporate performance in 2008.

In 2009, total compensation for the NEOs declined by 26% from $19.8 million in 2008 to $14.7 million in 2009, reflecting the challenges the Company faced in a year of continued economic uncertainty. The decrease was a result of lower annual incentive payouts and lower long-term incentive grants to reflect generally lower long-term incentive grant levels in the marketplace.

Notwithstanding the foregoing, the Company continues to be amongst the best performers in the electronics manufacturing services industry on key operating performance metrics. This strong financial performance also contributed to improved outlooks from the Company's key financial debt rating agencies. The performance graphs set out below illustrate the Company's significant improvements on non-GAAP measures of adjusted gross margin, operating margin (EBIAT), asset utilization and return on invested capital. (see " 2009 Compensation Decisions Business Performance" for further information on non-GAAP measures).

Adjusted gross margin

% of revenue

Operating margin (EBIAT)

% of revenue

Asset utilization

Inventory turns[(1)]

Return on invested capital

(1) Inventory turns is equal to 365 divided by the number of days in inventory, which is calculated as the average inventory for the quarter divided by the average daily cost of sales. The days in inventory for each quarter can be found in Item 5, " Management's Discussion and Analysis of Financial Condition and Results of Operations."

In 2009, total compensation for NEOs was 29% higher than that paid in 2005 and was 9.3% of 2009 adjusted earnings, compared to 8.1% of adjusted earnings in 2005.

EXECUTIVE COMPENSATION

Compensation of Named Executive Officers

The following table sets forth the compensation of the NEOs for the financial year ended December 31, 2009.

In light of the significant changes to the requirements, content and format for executive compensation disclosure made by the Canadian Securities Administrators beginning with financial years ending December 31, 2008, the Company has disclosed executive compensation in the Summary Compensation table below for the financial years ended December 31, 2009 and December 31, 2008 only, in accordance with these requirements. Disclosure of executive compensation for the financial year ended December 31, 2007, in accordance with the then applicable requirements, is contained in the Company's management information circular dated March 9, 2008, which is available on www.sedar.com.

Table 13: Summary Compensation Table

Name & Principal Position	Year	Salary ($)	Share-based Awards ($)[1][3]	Option-based Awards ($)[2][3]	Non-equity Incentive Plan Compensation Annual Incentive Plans ($)[4]	Pension Value ($)[5]	All Other Compensation ($)[6]	Total Compensation ($)
Craig H. Muhlhauser[7]	2009	$ 1,000,000	$ 3,000,000	$ 1,000,000	$ 904,950	$ 14,273	$ 128,203	$ 6,047,426
President and Chief Executive Officer	2008	$ 937,500	$ 3,750,000	$ 1,250,000	$ 2,000,000	$ 13,800	$ 168,278	$ 8,119,578
Paul Nicoletti[8]	2009	$ 512,000	$ 1,080,000	$ 360,000	$ 363,166	$ 79,133	$ 1,274	$ 2,395,573
EVP, Chief Financial Officer	2008	$ 507,562	$ 1,350,000	$ 450,000	$ 818,056	$ 48,180	$ 16,982	$ 3,190,780
John Peri[8]	2009	$ 504,000	$ 900,000	$ 300,000	$ 417,156	$ 79,749		
EVP. Global Operations	2008	$ 503,977	$ 1,125,000	$ 375,000	$ 806,364	$ 41,959		