

CELESTICA INC
Form 20-F
March 24, 2011

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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, 2010
or
- o Transition report pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
or
- o Shell company report pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of event requiring this shell company report:

For the transition period from _____ to _____

Commission file number: 1-14832

CELESTICA INC.

(Exact name of registrant as specified in its charter)

Ontario, Canada

(Jurisdiction of incorporation or organization)

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

(Address of principal executive offices)

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416-448-2211**

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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
(Title of each class)

The Toronto Stock Exchange
New York Stock Exchange
(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.

195,269,406 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 No

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

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

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

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

Large accelerated filer

Accelerated filer

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

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

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

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

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Part I

In this Annual Report, "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, 2010. 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\$1.0298.

Unless we indicate otherwise, all information in this Annual Report is stated as of February 22, 2011, 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 our guidance, the impact of new program wins on our financial results, and anticipated expenses, benefits or payments; our financial targets; our financial or operational performance; and the effects of our conversion from Canadian generally accepted accounting principles (GAAP) to International Financial Reporting Standards (IFRS). 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, including responding to significant changes in demand from our customers; the challenges of managing inflation, including rising energy and labor costs; our inability to retain or expand our business due to execution problems relating to the ramping up of new programs, completing our restructuring activities or integrating our acquisitions; 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; increasing income taxes and our ability to successfully defend tax audits or meet the conditions of tax incentives; the challenge of managing our financial exposures to foreign currency volatility; 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 and can fluctuate significantly in terms of volume or mix of products; the timing, execution of, and investments associated with ramping new business; the

success in the marketplace of our customers' products; general economic and market conditions; currency exchange rates; pricing and competition; anticipated customer demand; supplier performance and pricing; commodity, labor, energy and transportation costs; operational and financial matters; and technological developments. 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 presented below.

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				
	2006⁽¹⁾	2007⁽¹⁾	2008⁽¹⁾	2009⁽¹⁾	2010⁽¹⁾
	(in millions, except per share amounts)				
Consolidated Statements of Operations Data (Canadian GAAP):					
Revenue	\$ 8,811.7	\$ 8,070.4	\$ 7,678.2	\$ 6,092.2	\$ 6,526.1
Cost of sales	8,359.9	7,648.0	7,147.1	5,662.4	6,082.8
Gross profit	451.8	422.4	531.1	429.8	443.3
Selling, general and administrative expenses (SG&A) ⁽²⁾	264.7	271.7	292.0	244.5	250.2
Amortization of intangible assets	47.9	44.7	26.9	21.9	15.6
Integration costs related to acquisitions	0.9	0.1			
Other charges ⁽³⁾	211.8	47.6	885.2	68.0	68.4
Interest expense ⁽⁴⁾	62.6	51.2	42.5	35.0	6.5
Earnings (loss) before income taxes	(136.1)	7.1	(715.5)	60.4	102.6
Income tax expense	14.5	20.8	5.0	5.4	21.8
Net earnings (loss)	\$ (150.6)	\$ (13.7)	\$ (720.5)	\$ 55.0	\$ 80.8
Other Financial Data:					
Basic earnings (loss) per share	\$ (0.66)	\$ (0.06)	\$ (3.14)	\$ 0.24	\$ 0.35
Diluted earnings (loss) per share	\$ (0.66)	\$ (0.06)	\$ (3.14)	\$ 0.24	\$ 0.35

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Property, plant and equipment and computer software expenditures	\$ 189.1	\$ 63.7	\$ 88.8	\$ 77.3	\$ 60.8
Consolidated Statements of Operations Data (U.S. GAAP)⁽⁵⁾:					
Net earnings (loss)	\$ (149.3)	\$ (16.1)	\$ (725.8)	\$ 39.0	\$ 80.9
Shares used in computing per share amounts (in millions):					
Basic	227.2	228.9	229.3	229.5	227.8
Diluted	227.2	228.9	229.3	230.9	230.1

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	As at December 31				
	2006 ⁽¹⁾	2007 ⁽¹⁾	2008 ⁽¹⁾	2009 ⁽¹⁾	2010 ⁽¹⁾
	(in millions)				
Consolidated Balance Sheet Data (Canadian GAAP):					
Cash and cash equivalents	\$ 803.7	\$ 1,116.7	\$ 1,201.0	\$ 937.7	\$ 632.8
Working capital ⁽⁶⁾	1,394.9	1,553.0	1,603.6	1,023.0	968.9
Property, plant and equipment	484.1	418.4	433.5	393.8	368.7
Total assets	4,686.3	4,470.5	3,786.2	3,106.1	3,103.6
Total long-term debt, including current portion ⁽⁷⁾	750.8	758.5	733.1	222.8	
Shareholders' equity	2,094.6	2,118.2	1,365.5	1,475.8	1,421.3
Consolidated Balance Sheet Data (U.S. GAAP)^{(5):}					
Total assets	\$ 4,708.1	\$ 4,485.8	\$ 3,786.2	\$ 3,106.1	\$ 3,107.2
Total long-term debt, including current portion ⁽⁷⁾	750.8	757.2	723.4	221.2	
Shareholders' equity	1,960.4	1,996.5	1,254.8	1,346.8	1,275.8

(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: prepaid and other assets increased by \$5.5 million; other long-term assets decreased by \$10.3 million; accrued liabilities increased by \$5.8 million; long-term debt decreased by \$9.6 million; other long-term liabilities increased by \$8.1 million; long-term deferred income tax liability decreased by \$2.2 million; opening deficit increased by \$6.4 million; and accumulated other comprehensive loss increased by \$0.5 million.

(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. 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. At December 31, 2008, we reclassified \$34.0 million of computer software to intangible assets (2007 \$47.6 million; 2006 \$69.5 million). In 2008, we reclassified \$11.8 million from SG&A to amortization of intangible assets (2007 \$23.4 million; 2006 \$20.9 million).

(2)

SG&A expenses include research and development costs.

(3)

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.

In 2010, Other charges totaled \$68.4 million, comprised primarily of: (i) a \$55.3 million restructuring charge, (ii) a non-cash write-down of \$8.9 million relating to the annual impairment assessment of long-lived assets against computer software assets and property, plant and equipment and (iii) an \$8.8 million loss on repurchase of long-term debt.

(4)

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 applied fair value hedge accounting to our interest rate swaps and our hedged debt

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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

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discontinued. The change in fair values each period was recorded in interest expense. The mark-to-market adjustment fluctuated each period as it was dependent on market conditions, including interest rates, implied volatilities and credit spreads.

(5)

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

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;

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

For 2010: adjustments relating to financial instruments and hedging, and the treatment of acquisition-related costs.

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

(6)

Calculated as current assets less current liabilities.

(7)

Long-term debt includes capital lease obligations.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the 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 innovative supply chain solutions to original equipment manufacturers (OEMs) in the consumer, communications, enterprise computing, industrial, aerospace and defense, healthcare and green technology markets. Our competitors include Benchmark Electronics, Inc., Flextronics International Ltd., Hon Hai Precision Industry Co., Ltd., Jabil Circuit, Inc., Plexus Corp., and Sanmina-SCI Corporation, as well as smaller EMS companies that often have a regional, product, service or industry-specific focus. 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, servers, notebook and desktop computers, and smartphones and cell phones. While we have not historically participated in all of these markets, 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.

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The competitive environment for our industry is very intense and aggressive pricing is a common business dynamic. Some of our competitors have greater scale, as well as a broader service offering than we have. While we have increased our capacity in lower-cost regions to reduce our costs, these regions may not provide the same operational benefits that they have in the past due to rising costs in these regions and a more aggressive pricing environment. 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, increasing labor costs, 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. Some of our competitors also have capabilities to manufacture components, such as metal or plastic enclosures, semi-conductors and cabling, that they use in the products they assemble. This expanded capability may provide them with a competitive advantage, higher cost savings and may lead to more aggressive pricing for electronics manufacturing services. 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. 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 effect on our financial condition and operating results. During 2010, one customer from our consumer end market individually represented more than 10% of our total revenue, and our top 10 customers represented 72% of our total revenue. 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. Our largest customer, Research in Motion Limited (RIM), represented 20% of total revenue in 2010 (17% 2009).

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 markets, as well as expanding in new markets such as industrial, aerospace and defense, healthcare and green technology. 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. In 2010, we acquired Invec Solutions Limited (Invec) to enhance our after-market services offering and Allied Panels Entwicklungs-und Produktions GmbH (Allied Panels) to enhance our healthcare offering. As we pursue further 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 program-by-program basis and typically receive customer purchase orders for specific quantities and timing of products. We are dependent on customers to fulfill the terms associated with these orders and/or contracts.

There is no assurance that present or future large customers will not terminate their manufacturing or service 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. Customers may also shift business to a competitor or bring programs in-house to improve their own utilization or to adjust the concentration of their supplier base. Significant reductions in, or the loss of, revenue from any of our large customers could have a material adverse effect on us. We cannot assure the timely replacement of delayed, cancelled or reduced orders with new business. In addition, the ramping of new programs can take from several months to more than a year before production starts. During this start-up period, these programs may experience losses or may not achieve the expected financial performance due to start-up inefficiencies. These programs are also subject to significant change or outright cancellation, compared to the initial expectations at the time the new business was awarded, due to changes in end-market demand or changes in the viability of our customers' products 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.

Consumer was our largest end market representing 25% of total revenue for 2010. In general, business in the consumer end market and, in particular, smartphones, is highly competitive and characterized by shorter product lifecycles, higher revenue volatility, and lower margins. In addition, program volumes can vary significantly based on strength in end-market demand. End-user preferences for these products and devices can change rapidly and these programs are easily shifted among EMS competitors. Our increased exposure to this end market may lead to greater volatility in our revenue and operating margin and could result in increased risk to our financial results.

We are operating in an uncertain global economic environment.

While recent demand trends have stabilized, the global economic environment remains uncertain. This uncertainty has negatively impacted us in the past, resulting in lower demand for some of the products we manufacture and limiting end-market visibility for our customers. This environment can pose significant risk to our business by impacting demand for our customers' products, the financial condition of our customers, as well as the level of customer consolidations.

An economic downturn or deterioration in the economic environment may 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 our operations which could adversely affect our operating results.

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

our ability to manage growth effectively, including having trained personnel to manage operations, new customers and new products;

maintaining existing customer, supplier, employee and other favorable business relationships during periods of transition;

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; and

our ability to respond rapidly to changes in customer demand or to program or customer losses.

There is no guarantee that we will benefit from, or be able to grow our business as a result of the increased investments we are making in our research and development spending. In addition, as we pursue opportunities in new markets or technologies, we may encounter challenges as our knowledge or experience may be limited. Any of these factors could prevent us from realizing the anticipated benefits of growth in new markets, which could adversely affect our business and operating results.

Inherent 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 production schedules for more than 30 days to 90 days in advance and we often experience volatility in customer orders. Additionally, a significant portion of our revenue can occur in the last month of the quarter and 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.

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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, customers have required rapid and sudden increases in production, which have placed an excessive burden on our manufacturing capacity. Any of these factors or a combination of these factors could have a material adverse effect on our operating results.

We are subject to the risk of increased income taxes and our ability to successfully defend tax audits or meet the conditions of tax incentives could adversely affect our financial condition and operating results.

We conduct business operations in a number of countries, including countries where tax incentives have been extended to encourage foreign investment or where income tax rates are low. Our taxes could increase if certain tax incentives we benefit from are retracted. A retraction could occur if we fail to satisfy the conditions on which these tax incentives are based, if they are not renewed upon expiration, or tax rates applicable to us in such jurisdictions are otherwise increased. We believe we will comply with the conditions of the tax incentives; however, changes in our outlook in any particular country could impact our ability to meet the conditions.

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

We are subject to 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. 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.

We currently have ongoing tax audits where the tax authorities have taken the position that income reported by our subsidiaries for certain years should have been materially higher as a result of certain inter-company transactions. The successful pursuit of the assertions made by tax authorities related to our tax audits could result in our owing significant amounts of tax, interest and possibly penalties. 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.

In addition, we have and expect to continue to recognize the future benefit of certain Brazilian tax losses on the basis that these tax losses can and will be fully utilized in the fiscal period ending on the date of dissolution of our Brazilian subsidiary. While our ability to do so is not certain, we believe that our interpretation of applicable Brazilian law will be sustained upon full examination by the Brazilian tax authorities and, if necessary, upon consideration by the Brazilian judicial courts. Our position is supported by our Brazilian legal tax advisors. A change to the benefit realizable on these Brazilian losses could increase our net future tax liabilities.

Our results can be affected by limited availability of components and materials.

A significant portion of our costs is for the purchase of electronic components. 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 as well as revenue relating to products using that component, and can result in our carrying higher levels of inventory and extended lead times, or they can cause price increases in the products and services we provide. At various times in our industry's history, there have been industry-wide shortages of electronic components. To date, we have not been materially impacted by these shortages. 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.

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

We rely on various energy sources in our production and transportation activities. Price levels for multiple commodities, including oil, remain extremely uncertain and have been increasing in recent months. Increased energy prices could result in higher raw material costs and transportation costs. Any increase in our costs that we are unable to recover in our pricing to our customers could adversely impact our operating results.

We face financial risks due to foreign currency volatility.

Global currency markets continue to be volatile. Although we conduct the majority of our business in U.S. dollars, our financial results are affected by the valuation of foreign currencies relative to the U.S. dollar. Our significant non-U.S. currency exposures include the Canadian dollar, British pound sterling, Chinese renminbi, Thai baht, Malaysian ringgit, Mexican peso, Euro, Singapore dollar, and the Romanian lei. We enter into forward exchange contracts to hedge against our cash flows and significant balance sheet exposures in many of these foreign currencies. Our contracts generally extend for periods ranging from one month to 15 months. Our hedging program is designed to reduce the short to medium-term variability of our foreign currency costs and exposures, and may not mitigate the full impact of currency fluctuations, which could adversely impact our operating results.

Our results can be affected by rising labor costs.

There is some uncertainty with respect to rising labor costs, in particular within the lower-cost regions in which we operate. Any increase in labor costs that we are unable to recover in our pricing to our customers could adversely impact our operating results. To date, we have not been materially impacted by these rising labor costs.

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.

Our operating results in certain end markets are subject to seasonality and can be unpredictable.

We have historically experienced some level of seasonality in our quarterly revenue patterns for our enterprise computing and communications infrastructure products. In contrast, our current consumer business is relatively flat throughout the year. As our revenue from quarter-to-quarter is dependent on the level of demand and mix in each of our end markets, it is difficult for us to predict the extent and impact of seasonality on our business.

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 repair, 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 Austria, China, the Czech Republic, Ireland, Japan, Malaysia, Mexico, Romania, Scotland, Singapore, Spain and Thailand. During 2010, approximately two-thirds of our revenue was produced from locations outside of North America. We also purchase the majority of components and materials from international suppliers.

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 operations;
- ability to build infrastructure to support operations;
- changes in local tax rates or adverse tax consequences, including the repatriation of earnings;
- compliance with a variety of foreign laws, including changing import and export regulations;
- adverse changes in trade policies between countries in which we maintain operations;
- economic and political instability;
- potential restrictions on the transfer of funds; and
- foreign exchange risks.

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 and the write-down of goodwill and long-lived assets. 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. See note 10 to the Consolidated Financial Statements in Item 18. These restructuring actions have had a negative impact on our financial and operational results, including incurring higher operating expenses during periods of transition. In certain situations, product transfers have resulted in our inability to retain existing business or grow revenue due to execution problems resulting from significant headcount reductions, plant closures and product transfers. During 2010, we recorded restructuring charges of \$55.3 million related to previously announced restructuring plans. At December 31, 2010, we had accrued \$15.3 million in employee

termination costs which remain unpaid at year end. We expect to pay the majority of such costs during the first half of 2011. We evaluate our operations from time-to-time and may propose additional restructuring actions in the future. Any failure to successfully execute or realize the expected benefits from these initiatives, including any delay in implementing these initiatives, can have a material adverse impact on our operating results. Furthermore, we may not be profitable in future periods.

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;

retaining customer, supplier, employee or other business relationships of acquired operations;

addressing unforeseen liabilities of acquired businesses;

limited experience with new technologies; 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.

The efficiency of our operations could be adversely affected by disruptions to our Information Technology (IT) services.

We rely in part on various IT systems to manage our operations and to provide analytical information to management. These systems are vulnerable to, among other things, damage and interruption from power loss or natural disasters, computer system and network failures, loss of telecommunication services, physical and electronic loss of data, security breaches and computer viruses. 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 a reduction to our operating margins.

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

Our customers and competitors are subject to merger and acquisition transactions. Future mergers and acquisitions of our customers 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.

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 certain employees, primarily in Canada and the U.S.

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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 be impacted.

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.

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.

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, and in some of our design and development activities, 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 expand our service offerings and pursue business in new end markets, our warranty obligations may increase and we may not be successful in pricing our products to appropriately cover the warranty costs.

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.

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 generally provide payment terms to our customers ranging from 15 days to 60 days. Our accounts receivable balance at December 31, 2010 was \$945.1 million, with one customer representing more than 10% of the 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, which could adversely impact our financial condition and operating results. A deterioration in our customers' financial condition could result in customers going into bankruptcy or reorganization proceedings. Our allowance for doubtful accounts balance at December 31, 2010 was \$5.1 million, which represented less than 1%

of the gross accounts receivable balance. We will continue to closely monitor our customers' and suppliers' financial condition and creditworthiness.

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, capabilities or equipment to support new technologies used in our customers' current or future products, and to support their supply chain processes. Additionally, as we expand our service offerings and 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 expand our service offerings and 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.

Due to inherent limitations, there can be no assurance that our system of disclosure and internal controls will be successful in preventing all errors or fraud in a timely manner.

Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected. All systems of internal control, no matter how well conceived and operated, contain inherent limitations. Accordingly, we cannot provide absolute assurance that all control issues, errors or instances of fraud, if any, within the company have been or will be detected. In addition, over time, certain aspects of a control system may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate, which we may not be able to address quickly enough to prevent all instances of error or fraud.

We may not be able to increase revenue if 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 environment 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 governmental 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. Our failure to comply with these laws and regulations could potentially result in fines and penalties and our operations could be suspended.

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.

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

We provide design and manufacturing related services to our customers in the aerospace and defense end market. As part of these services, we are subject to substantial regulation from government agencies including

the Department of Defense and the U.S. Federal Aviation Administration in the U.S., as well as in other jurisdictions. Failure to comply with these regulations may result in fines, penalties, injunctions, and may prevent us from winning future contracts, any of which could materially affect our financial condition and operating results.

Compliance or the failure to comply with employment laws and regulations could be costly and impact our operating results.

We are subject to a variety of domestic and foreign employment laws, including those related to workplace safety, discrimination, whistle-blowing, wages and severance payments. Such laws are subject to change and there can be no assurance that we will not be found to have violated any such laws in the future. Such violations could lead to the assessment of fines or damages against us by regulatory authorities or by employees, any of which could reduce our operating results.

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

Our credit agreement contains financial and operating covenants that limit our management's discretion with respect to certain business matters. Among other 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 December 31, 2010, we had a \$200.0 million revolving credit facility which was due to expire in April 2011. In January 2011, we renewed this facility on generally similar terms and conditions (including covenants and security for the facility) and increased the size of the facility to \$400.0 million, with a maturity of January 2015. At February 22, 2011, we were in compliance with all of these covenants.

The interest of our controlling shareholder, Onex Corporation, that holds 71% of our voting interest, 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 71% 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, or have consequences on our debt and 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 added one of our directors and Onex as defendants. These lawsuits seek unspecified damages. All defendants filed motions with the U.S. District Court to dismiss the amended complaint. By Memorandum Decision and Order dated October 14, 2010, the U.S. court granted the defendants' motions to dismiss the consolidated amended complaint in its entirety and did not grant plaintiffs' leave to replead. Plaintiffs have filed a notice of appeal to the United States Court of Appeals for the Second Circuit of the dismissal of its claims against us and our former Chief Executive and Chief Financial Officers (but are not appealing the dismissal of its claims against one of our directors and Onex). Although we believe the allegations in the claim and the Second Circuit appeal are without merit and we intend to defend against them 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 operating results, profitability and financial condition.

Our consolidated financial statements, for 2010 and prior years, were prepared in accordance with Canadian 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 (SEC). In 2008, the Canadian Accounting Standards Board announced that it will adopt IFRS for publicly accountable enterprises in Canada, effective 2011. In 2008, the SEC adopted rules to accept annual filings of financial statements prepared in accordance with IFRS without the annual reconciliation to U.S. GAAP. Our consolidated financial statements for the first quarter ending March 31, 2011 will be our first financial statements prepared under IFRS. We will also apply IFRS retroactively to our comparative data as of January 1, 2010. The adoption of IFRS will impact our operating results, profitability and financial condition. Refer to Item 5, "Operating and Financial Review and Prospects Management's Discussion and Analysis of Financial Condition and Results of Operations," for the expected impact of IFRS on our financial statements. Future changes in accounting standards could also adversely affect our operating results, profitability or financial condition.

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

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

At February 22, 2011, we had 197,089,024 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 1,218,998 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.

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In addition, as of February 22, 2011, there were approximately 24,000,000 subordinate voting shares reserved for issuance under our employee share purchase and option plans and for director compensation, including outstanding options to purchase approximately 9,900,000 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.

Our stock price is volatile.

Our subordinate voting shares, and the shares of our EMS competitors, have experienced price volatility, and such volatility may continue in the future. Stock markets generally experience significant price and volume volatility from time-to-time, which may affect the market price of our subordinate voting shares for reasons unrelated to our performance. In addition, the price of our subordinate voting shares could fluctuate widely in response to a variety of factors, including changing conditions in the economy in general or in our industry in particular.

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 supply chain 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, currently in progress and in the last three fiscal years, is set forth in notes 3, 4, 7, 8, 15 and 17 to the Consolidated Financial Statements in Item 18, and Item 5, "Operating and Financial Review and Prospects Management's Discussion and Analysis of Financial Condition and Results of Operations."

Certain information concerning our divestiture activities, including our restructurings, currently in progress and in the last three fiscal years, is set forth in notes 4 and 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 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.

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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 centers of excellence, strategically located around the world. We strive to align a network of suppliers around these centers in order to increase flexibility in our supply chain, deliver shorter overall product lead times and reduce inventory. We operate other facilities 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 with our suppliers, we strive to provide our customers with the lowest total cost throughout the product lifecycle. This approach enables us to focus our capabilities on solutions that address the total cost of design, sourcing, production, delivery and after-market services for our customers' products, which drives greater levels of efficiency and improved service levels throughout our customers' supply chains.

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 72% of revenue in 2010 and our largest customer represented 20% of revenue. In 2010, our revenue by end market was as follows: consumer (25% of revenue); enterprise communications (24% of revenue); telecommunications (13% of revenue); servers (14% of revenue); storage (12% of revenue); and industrial, aerospace and defense, and healthcare (12% 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; printer supplies; peripherals; and a range of industrial and green technology electronic equipment including solar panels and inverters.

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 have a highly skilled workforce focused 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 (i) growing revenue in targeted end markets through both organic program wins and acquisitions; (ii) improving financial results, including operating margin and cash flow performance; (iii) developing and enhancing profitable relationships with leading OEMs across our strategic target markets, with a particular emphasis on growing our industrial, aerospace and defense, healthcare and green technology end markets; (iv) broadening the range of services we offer to OEMs; and (v) growing our capabilities in services and technologies that can expand our revenue base beyond our traditional areas of EMS expertise. We believe that success in these areas will result in improved financial performance and enhanced 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 are complex and require significant investment. 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 to 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 collaborate 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 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 and enhance shareholder value:

Improve Financial Results, Including Operating Margins and Cash Flow Performance. We continue to focus on (i) managing the mix of business, service offerings and volume of new business to improve our overall operating margins, (ii) leveraging our supply chain practices globally to lower material costs, minimize lead times and improve our planning cycle to better meet changes in customers' demand and improve asset utilization, (iii) improving operating efficiencies to reduce costs and improve operating margins, and (iv) maximizing cash flow performance.

Continue to Penetrate Strategic Target End Markets. We target 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 service offerings and centers of excellence, have positioned us as an attractive partner to companies across these markets. Our goal is to grow across our targeted end markets, with particular emphasis on industrial, aerospace and defense, healthcare, and green technology. In 2010, we completed the Allied Panels acquisition to enhance our healthcare offering. Our revenue by end market as a percentage of total revenue is as follows:

	2008	2009	2010
Consumer ⁽ⁱ⁾	22%	28%	25%
Enterprise Communications ⁽ⁱ⁾	26%	22%	24%
Telecommunications	15%	15%	13%
Servers	16%	13%	14%
Storage	10%	12%	12%
Industrial, Aerospace and Defense and Healthcare	11%	10%	12%

(i) During the fourth quarter of 2010, we reclassified a customer program from our consumer end market to our enterprise communications end market. Comparative percentages have been recalculated to conform to the current period's presentation.

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

Expand Range of Service Offerings. We continually look to expand the services we offer to OEMs. In recent years, we have expanded our service offerings to facilitate the manufacture of a broader spectrum of products for OEMs in a variety of new markets. We have also expanded our capabilities in prototyping, design, engineering solutions, systems assembly, logistics, fulfillment and after-market services. During 2010, we completed the acquisition of Invec to enhance our after-market services offering through its proprietary reverse logistics software.

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. As a result of the successes that we have had in these areas, we have been recognized with numerous customer and industry achievement awards.

Develop and Enhance Profitable Relationships with Leading OEMs. We seek to build profitable, strategic relationships with targeted industry leaders that can benefit from our services and solutions. We strive to 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 of our targeted markets. We believe that our customer base is a strong potential source of growth for us as we seek to strengthen these relationships through the delivery of additional services.

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 and cost required to deliver products to market and the capital requirements associated with carrying inventory.

Through the deployment of our TCOO Strategy with our suppliers, 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. We also strive to align a network of suppliers around our centers of excellence to increase the agility, flexibility and collaborative approach of our supply chain and deliver the shortest overall lead times for any given product. We believe we have a differentiated supply chain offering.

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 their supply chain to reduce their overall product costs, improve time-to-market and introduce competitively differentiated products. We also leverage our proprietary CoreSim Technology to minimize design revisions, 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.

We continue to increase our resources in the area of research and development. 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 and storage devices. We believe these customizable solution accelerators, or building blocks, 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.

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.

Order Fulfillment and Logistics. We are focused on leveraging our global scale in manufacturing, supply chain management and fulfillment to provide fully integrated and customized 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 products 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. In 2010, we acquired Invec to enhance our after-market services offering through its proprietary reverse logistics software.

Geographies

Approximately one-half of our revenue is produced in Asia and over one-third of our revenue is produced in North America. A listing of our principal locations is included in Item 4, "Information on the Company - Property, Plants and Equipment." Certain geographic information is set forth in note 17 to the Consolidated Financial Statements in Item 18.

Sales and Marketing

We have structured our business development teams by targeted end markets, with a focus on offering complete manufacturing and supply chain solutions to leading OEMs. Our coordination of efforts with key global customers include our 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 solutions 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, and supply chain management teams, as well as se