# FORM 6-K

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

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

**For the month of January, 2017**

**001-14832**
**(Commission File Number)**

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# CELESTICA INC.

(Translation of registrant's name into English)

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**844 Don Mills Road**
**Toronto, Ontario**
**Canada M3C 1V7**
**(416) 448-5800**
(Address of principal executive offices)

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

Form 20-F ☒ Form 40-F ☐

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

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

**Furnished Herewith (and incorporated by reference herein)**

| Exhibit No. | Description |
| --- | --- |
| 99.1 | Press Release, dated January 26, 2017, with respect to Celestica Inc.'s financial results for the quarter and year ended December 31, 2016 |

The information contained in Exhibit 99.1 of this Form 6-K is not incorporated by reference into any registration statement (or into any prospectus that forms a part thereof) filed by Celestica Inc. with the Securities and Exchange Commission.

SIGNATURES

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

CELESTICA INC.

Date: January 26, 2017

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

EXHIBIT INDEX

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|---|---|
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**Exhibit 99.1**

**FOR IMMEDIATE RELEASE** **January 26, 2017**

(All amounts in U.S. dollars.
Per share information based on diluted
shares outstanding unless otherwise noted.)

# CELESTICA ANNOUNCES FOURTH QUARTER AND FISCAL YEAR 2016 FINANCIAL RESULTS

TORONTO, Canada - Celestica Inc. (NYSE, TSX: CLS), a global leader in the delivery of end-to-end product lifecycle solutions, today announced financial results for the fourth quarter and fiscal year ended December 31, 2016.

## Fourth Quarter 2016 Highlights

- Revenue: $1.62 billion, above our previously provided guidance range of $1.5 to $1.6 billion, increased 4% sequentially and 7% compared to the fourth quarter of 2015

- Revenue dollars from our diversified end market were relatively flat compared to the fourth quarter of 2015, and represented 27% of total revenue for the fourth quarter of 2016, compared to 30% of total revenue for the fourth quarter of 2015 as a result of the overall increase in revenue

- IFRS EPS: $0.15 per share, compared to $0.08 per share for the fourth quarter of 2015. IFRS EPS for the fourth quarter of 2016 included a net benefit of $0.07 per share related to income taxes, as well as a negative $0.17 per share impact resulting from higher than anticipated restructuring charges (discussed below)

- Adjusted EPS (non-IFRS): $0.41 per share, above our previously provided guidance range of $0.29 to $0.35 per share, compared to $0.27 per share for the fourth quarter of 2015. Adjusted EPS for the fourth quarter of 2016 would have been $0.34, towards the high end of our guidance range, without the $0.07 per share net benefit related to income taxes

- Operating margin (non-IFRS): 3.8%, consistent with the mid-point of our expectations, compared to 3.5% for the fourth quarter of 2015. Operating earnings (non-IFRS) increased 16% compared to the fourth quarter of 2015

- Adjusted ROIC (non-IFRS): 22.7%, compared to 21.4% for the fourth quarter of 2015

- Free cash flow (non-IFRS): $69.3 million, compared to $76.0 million for the fourth quarter of 2015

- Recorded restructuring charges of $24.4 million, or $0.17 per share, pertaining primarily to our exit from the solar panel manufacturing business (discussed below)

- Acquired the business assets of Karel Manufacturing for $14.9 million in November 2016 (see note 4, “Acquisition”, to our Interim Financial Statements (defined below))

## Fiscal Year 2016 Highlights

- Revenue: $6.0 billion, increased 7% compared to $5.6 billion for 2015

- Revenue from our diversified end market grew 11% to represent 30% of total revenue, compared to 29% of total revenue for 2015

- IFRS EPS: $0.95 per share, compared to $0.42 per share for 2015. Both years were impacted by tax-related items (discussed below). IFRS EPS would have been $0.73 per share for 2016, compared to $0.50 per share for 2015 without these tax-related items.

- Adjusted EPS (non-IFRS): $1.40 per share, compared to $0.92 per share in 2015. Both years were impacted by tax-related items (discussed below). Adjusted EPS would have been $1.18 per share for 2016, compared to $1.00 per share for 2015 without these tax-related items.

- Operating margin (non-IFRS): 3.7%, compared to 3.5% for 2015. Operating earnings (non-IFRS) increased 14% compared to 2015

- Adjusted ROIC (non-IFRS): 20.8%, compared to 19.8% for 2015

- Free cash flow (non-IFRS): $110.2 million, compared to $113.2 million for 2015

- Repurchased and cancelled 3.2 million subordinate voting shares for $34.3 million through a Normal Course Issuer Bid launched in February 2016

more...

"Celestica delivered a strong fourth quarter, with growth in revenue of 7% and growth in operating earnings of 16%, compared to the fourth quarter of 2015," said Rob Mionis, Celestica's President and Chief Executive Officer. "Celestica's strong close to the year helped deliver full-year 2016 revenue growth of 7%, 14% growth in operating earnings and over $100 million of free cash flow. Among the many highlights for 2016, we achieved our highest level of operating margins since 2001 and the highest revenue levels since 2012."

"We are proud of our many accomplishments this year. I am pleased with the progress we have made in setting the foundation for our strategy and delivering on our priorities and I am excited about the momentum we are building as we continue to drive profitable growth and increase shareholder value."

**Fourth Quarter and Year-to-Date Summary**

| | Three months ended December 31 | | Year ended December 31 | |
|---|---|---|---|---|
| | 2015 | 2016 | 2015 | 2016 |
| Revenue (in millions) | $ 1,514.9 | $ 1,623.7 | $ 5,639.2 | $ 6,016.5 |
| IFRS net earnings (in millions)(i) | $ 12.1 | $ 20.9 | $ 66.9 | $ 136.3 |
| IFRS EPS(i) | $ 0.08 | $ 0.15 | $ 0.42 | $ 0.95 |
| Non-IFRS adjusted net earnings (in millions) (i) (ii) | $ 38.9 | $ 59.5 | $ 145.0 | $ 200.9 |
| Non-IFRS adjusted EPS(i) (ii) | $ 0.27 | $ 0.41 | $ 0.92 | $ 1.40 |
| Non-IFRS adjusted return on invested capital (adjusted ROIC)(ii) | 21.4% | 22.7% | 19.8% | 20.8% |
| Non-IFRS operating margin(ii) | 3.5% | 3.8% | 3.5% | 3.7% |

i. International Financial Reporting Standards (IFRS) earnings per share (EPS) for the fourth quarter of 2016 included an aggregate charge of $0.25 (pre-tax) per share for employee stock-based compensation expense, amortization of intangible assets (excluding computer software) and restructuring charges. This aggregate charge is above the range we provided on October 20, 2016 of an aggregate charge of between $0.09 to $0.14 per share for these items (see the tables in Schedule 1 attached hereto for per-item charges), due to higher than anticipated restructuring charges related to our exit from the solar panel manufacturing business (discussed below).

IFRS EPS and adjusted EPS (non-IFRS) for the fourth quarter of 2016 were favorably impacted by a $0.07 per share net benefit related to income taxes, comprised of a $0.10 per share income tax recovery attributable to the resolution of certain previously disputed tax matters in Canada (including related refund interest income) and a $0.03 per share favorable deferred tax recovery, offset in part by a $ 0.06 per share income tax expense related to taxable foreign exchange resulting from the weakening of the Malaysian ringgit and Chinese renminbi relative to the U.S. dollar. See notes 12 and 14 to our December 31, 2016 unaudited interim condensed consolidated financial statements (Interim Financial Statements). The foregoing items arose in the fourth quarter of 2016, and were therefore not factored into our guidance for adjusted EPS (non-IFRS) for that period. Non-IFRS adjusted EPS for the fourth quarter of 2016 would have been towards the high end of our guidance range for the quarter without the net income tax benefits referred to above.

IFRS EPS and adjusted EPS (non-IFRS) for full year 2016 were favorably impacted by an aggregate $0.22 per share net benefit related to income taxes, comprised of a $0.34 per share income tax recovery attributable to the resolution in the second half of 2016 of certain previously disputed tax matters in Canada (including related refund interest income), offset in part by an aggregate $0.07 per share negative impact from current and deferred withholding taxes, as well as a $0.05 per share income tax expense related to taxable foreign exchange impacts similar to those noted above. See notes 12 and 14 to our Interim Financial Statements.

IFRS EPS for the fourth quarter and full year 2015 were negatively impacted by an $0.08 per share non-cash impairment charge (aggregate of $12.2 million) on certain of our property, plant and equipment. IFRS EPS and adjusted EPS (non-IFRS) for the full year 2015 included an $0.08 per share (aggregate of $12.2 million) income tax expense related to taxable foreign exchange impacts similar to those noted above, arising in the third quarter of 2015. See note 12 to our Interim Financial Statements.

Our non-IFRS operating margin of 3.8% for the fourth quarter of 2016 was consistent with the mid-point of our expectations.

In addition, the calculation of our weighted average number of shares (used to determine our IFRS EPS and non-IFRS adjusted EPS) for the full year 2016 reflects the full impact of the reduction in outstanding subordinate voting shares as a result of our share repurchases and cancellations in 2015 pursuant to our $350.0 million substantial issuer bid and our Normal Course Issuer Bid then in effect. Accordingly, the positive effect of the reduced weighted average number of shares on our IFRS EPS and non-IFRS adjusted EPS for the full year 2016 was greater as compared to full year 2015.

ii. Non-IFRS measures do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public companies that use IFRS or other generally accepted accounting principles (GAAP). See "Non-IFRS Supplementary Information" below for information on our rationale for the use of non-IFRS measures, and Schedule 1 for, among other items, non-IFRS measures included in this press release, as well as their definitions, uses, and a reconciliation of non-IFRS to IFRS measures.

**End Markets by Quarter as a Percentage of Total Revenue**[i]

| | 2015 | | | | | 2016 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | FY | Q1 | Q2 | Q3 | Q4 | FY |
| Communications | 40% | 40% | 41% | 38% | 40% | 38% | 41% | 43% | 44% | 42% |
| Consumer | 3% | 3% | 3% | 3% | 3% | 3% | 3% | 2% | 2% | 2% |
| Diversified | 28% | 28% | 30% | 30% | 29% | 34% | 30% | 30% | 27% | 30% |
| Servers | 11% | 10% | 8% | 10% | 10% | 9% | 9% | 7% | 8% | 8% |
| Storage | 18% | 19% | 18% | 19% | 18% | 16% | 17% | 18% | 19% | 18% |
| Revenue (in billions) | $ 1.30 | $ 1.42 | $ 1.41 | $ 1.51 | $ 5.64 | $ 1.35 | $ 1.49 | $ 1.55 | $ 1.62 | $ 6.02 |

i. Our diversified end market in 2016 was comprised of aerospace and defense, industrial, healthcare, energy, and semiconductor equipment. Commencing with the quarter ending March 31, 2017, we will combine our servers and storage end markets into a single "Enterprise" end market and add our consumer business to our diversified end market for reporting purposes.

**Decision to Exit Solar Panel Manufacturing Business and Related Restructuring**

Previously disclosed market instability and global oversupply of solar panels continued to negatively impact our solar panel manufacturing business, including the pricing and demand for solar panels in the fourth quarter of 2016. Since these negative factors are expected to be prolonged, and we no longer expect to generate reasonable returns, we made a decision in the quarter to exit the manufacturing of such panels. In connection therewith, we recorded restructuring charges totaling approximately $21 million in the fourth quarter of 2016 related to the closure of our solar panel manufacturing operations at our two locations, including a $19 million impairment charge to write down the carrying value of our solar manufacturing equipment to recoverable amounts.

The turbulence in our solar panel business has negatively impacted our overall energy market offering, and therefore, our diversified end market. However, since our energy market offering is diverse, and includes the manufacture of inverters, energy storage products, smart meters and other electronic componentry, we remain optimistic regarding the outlook of our energy products business, as we continue to win new programs with renewable energy customers.

**Board Member Changes**

Gerald W. Schwartz, Chairman of the Board, President and Chief Executive Officer of Onex Corporation (Onex), retired from Celestica's Board of Directors effective December 31, 2016 in accordance with the Board's retirement policy. Following Mr. Schwartz's retirement, Tawfiq Popatia was appointed to Celestica's Board of Directors effective January 1, 2017. As a Managing Director of Onex, Mr. Popatia leads its efforts in automation, aerospace and other transportation-focused industries.

Thomas S. Gross was appointed to Celestica's Board of Directors effective November 1, 2016. Mr. Gross recently retired as the Vice Chairman and Chief Operating Officer of the Electrical Sector of Eaton, an NYSE-traded power management company. Mr. Gross' career at Eaton spanned 13 years and he has also held senior leadership positions in companies such as Danaher Corporation and Xycom Automation.

**First Quarter 2017 Outlook**

For the quarter ending March 31, 2017, we anticipate revenue to be in the range of $1.4 billion to $1.5 billion, non-IFRS operating margin to be 3.5% at the mid-point of our expectations, and non-IFRS adjusted earnings per share to be in the range of $0.24 to $0.30. We expect a negative $0.11 to $0.17 per share (pre-tax) aggregate impact on net earnings on an IFRS basis for employee stock-based compensation expense, amortization of intangible assets (excluding computer software) and restructuring charges. We cannot predict changes in currency exchange rates, the impact of such changes on our operating results, or the degree to which we will be able to manage such impacts.

**Fourth Quarter 2016 Webcast**

Management will host its fourth quarter 2016 results conference call today at 4:30 p.m. Eastern Daylight Time. The webcast can be accessed at www.celestica.com.

**Non-IFRS Supplementary Information**

In addition to disclosing detailed operating results in accordance with IFRS, Celestica provides supplementary non-IFRS measures to consider in evaluating the company's operating performance. Management uses adjusted net earnings and other non-IFRS measures to assess operating performance and the effective use and allocation of resources; to provide more meaningful period-to-period comparisons of operating results; to enhance investors' understanding of the core operating results of Celestica's business; and to set management incentive targets. We believe investors use both IFRS and non-IFRS measures to assess management's past, current and future decisions associated with our priorities and our allocation of capital, as well as to analyze how our business operates in, or responds to, swings in economic cycles or to other events that impact our core operations. See Schedule 1 - Supplementary Non-IFRS Measures for, among other items, non-IFRS measures provided herein, non-IFRS definitions, and a reconciliation of non-IFRS to IFRS measures.

**About Celestica**

Celestica is dedicated to delivering end-to-end product lifecycle solutions to drive our customers' success. Through our simplified global operations network and information technology platform, we are solid partners who deliver informed, flexible solutions that enable our customers to succeed in the markets they serve. Committed to providing a truly differentiated customer experience, our agile and adaptive employees share a proud history of demonstrated expertise and creativity that provides our customers with the ability to overcome complex challenges. For further information about Celestica, visit our website at www.celestica.com. Our securities filings can also be accessed at www.sedar.com and www.sec.gov.

**Cautionary Note Regarding Forward-looking Statements**

*This news release contains forward-looking statements, including, without limitation, those related to our future growth; trends in the electronics manufacturing services (EMS) industry; our anticipated financial and/or operational results, including our quarterly revenue, non-IFRS operating margin and earnings guidance; the impact of acquisitions and program wins or losses on our financial results and working capital requirements; anticipated expenses, restructuring actions and charges, and amortization of intangible assets (excluding computer software); the anticipated repatriation of undistributed earnings from foreign subsidiaries; the impact of tax and litigation outcomes; our cash flows, financial targets and priorities; changes in our mix of revenue by end market; our ability to diversify and grow our customer base and develop new capabilities; the effect of the pace of technological changes, customer outsourcing and program transfers, and the global economic environment on customer demand; the possibility of future impairments of property, plant and equipment, goodwill or intangible assets; the timing and extent of the expected recovery of cash advances made to the Solar Supplier (defined below); the anticipated termination and settlement of our solar equipment leases; changes in the composition of our end markets commencing with the period ending March 31, 2017; and the impact of the acquisition of the assets of Karel Manufacturing. Such forward-looking statements may, without limitation, be preceded by, followed by, or include words such as "believes", "expects", "anticipates", "estimates", "intends", "plans", "continues", "project", "potential", "possible", "contemplate", "seek", or similar expressions, or may employ such future or conditional verbs as "may", "might", "will", "could", "should" or "would", or may otherwise be indicated as forward-looking statements by grammatical construction, phrasing or context. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the U.S. Private Securities Litigation Reform Act of 1995, where applicable, and applicable Canadian securities laws.*

*Forward-looking statements are provided for the purpose of assisting readers in understanding management's current expectations and plans relating to the future. Readers are cautioned that such information may not be appropriate for other purposes. Forward-looking statements are not guarantees of future performance and are subject to risks that could cause actual results to differ materially from conclusions, forecasts or projections expressed in such statements, including, among others, risks related to: our customers' ability to compete and succeed in the marketplace with the services we provide and the products we manufacture; price and other competitive factors generally affecting the EMS industry; managing our operations and our working capital performance during uncertain market and economic conditions; responding to changes in demand, rapidly evolving and changing technologies, and changes in our customers' business and outsourcing strategies, including the insourcing of programs; customer concentration and the challenges of diversifying our customer base and replacing revenue from completed or lost programs, or customer disengagements; changing commodity, material and component costs, as well as labor costs and conditions; disruptions to our operations, or those of our customers, component suppliers and/or logistics partners, including as a result of global or local events outside our control, including as a result of the June 2016 referendum by British voters advising for the exit of the United Kingdom from the European Union (Brexit) or significant developments stemming from the recent U.S. presidential election; retaining or expanding our business due to execution issues relating to the ramping of new or existing programs or new offerings; the incurrence of future impairment charges; recruiting or retaining skilled personnel; transitions associated with our Global Business Services (GBS) initiative, our Organizational Design (OD) initiative, and/or other changes to our company's operating model; current or future litigation and/or governmental actions; the operating performance and financial results of our semiconductor business; the timing and extent of recoveries from the sale of inventory and manufacturing equipment relating to our exit from the solar panel manufacturing business, and our ability to recover amounts outstanding from the Solar Supplier; delays in the delivery and availability of components, services and materials, including from suppliers upon which we are dependent for certain components; non-performance by counterparties; our financial exposure to foreign currency volatility, including stock market volatility and currency exchange rate fluctuations resulting*

*from the Brexit or the recent U.S. presidential election; our dependence on industries affected by rapid technological change; the variability of revenue and operating results; managing our global operations and supply chain; increasing income taxes, tax audits, and challenges of defending our tax positions, and obtaining, renewing or meeting the conditions of tax incentives and credits; completing restructuring actions, including achieving the anticipated benefits therefrom, and integrating any acquisitions; defects or deficiencies in our products, services or designs; computer viruses, malware, hacking attempts or outages that may disrupt our operations; any failure to adequately protect our intellectual property or the intellectual property of others; compliance with applicable laws, regulations and social responsibility initiatives; our having sufficient financial resources and working capital to fund currently anticipated financial obligations and to pursue desirable business opportunities; the potential that conditions to closing the sale of our real property in Toronto and related transactions (collectively, the "Toronto Real Property Transactions") may not be satisfied on a timely basis or at all; and if the Toronto Real Property Transactions are completed, our ability to secure on commercially acceptable terms an alternate site for our existing Toronto manufacturing operations, and the costs, timing and/or execution of such relocation proving to be other than anticipated. The foregoing and other material risks and uncertainties are discussed in our public filings at www.sedar.com and www.sec.gov, including in our MD&A, our most recent Annual Report on Form 20-F filed with, and subsequent reports on Form 6-K furnished to, the U.S. Securities and Exchange Commission, and our Annual Information Form filed with the Canadian Securities Administrators.*

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

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

**Contacts:**

Celestica Communications
(416) 448-2200
media@celestica.com

Celestica Investor Relations
(416) 448-2211
clsir@celestica.com

**Supplementary Non-IFRS Measures**

Our non-IFRS measures herein include adjusted gross profit, adjusted gross margin (adjusted gross profit as a percentage of revenue), adjusted selling, general and administrative expenses (SG&A), adjusted SG&A as a percentage of revenue, operating earnings (adjusted EBIAT), operating margin (adjusted EBIAT as a percentage of revenue), adjusted net earnings, adjusted earnings per share, adjusted return on invested capital (adjusted ROIC), free cash flow and adjusted effective tax rate. Adjusted EBIAT, adjusted ROIC, free cash flow and adjusted effective tax rate are further described in the tables below. In calculating these non-IFRS financial measures, management excludes the following items, where applicable: employee stock-based compensation expense, amortization of intangible assets (excluding computer software), restructuring and other charges, net of recoveries (most significantly restructuring charges), the write-down of goodwill, intangible assets and property, plant and equipment, and gains or losses related to the repurchase of our securities, net of associated tax adjustments, and deferred tax write-offs or recoveries associated with restructuring actions or restructured sites.

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

Non-IFRS measures do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other public companies that use IFRS, or who report under U.S. GAAP and use non-U.S. GAAP measures to describe similar operating metrics. Non-IFRS measures are not measures of performance under IFRS and should not be considered in isolation or as a substitute for any standardized measure under IFRS. The most significant limitation to management's use of non-IFRS financial measures is that the charges or credits excluded from the non-IFRS measures are nonetheless charges or credits that are recognized under IFRS and that have an economic impact on the company. Management compensates for these limitations primarily by issuing IFRS results to show a complete picture of the company's performance, and reconciling non-IFRS results back to IFRS results.

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

Employee stock-based compensation expense, which represents the estimated fair value of stock options, restricted share units and performance share units granted to employees, is excluded because grant activities vary significantly from quarter-to-quarter in both quantity and fair value. In addition, excluding this expense allows us to better compare core operating results with those of our competitors who also generally exclude employee stock-based compensation expense in assessing operating performance, who may have different granting patterns and types of equity awards, and who may use different valuation assumptions than we do, including those competitors who report under U.S. GAAP and use non-U.S. GAAP measures to present similar metrics.

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

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

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

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

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

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

| | Three months ended December 31 | | | | Year ended December 31 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | | 2016 | | 2015 | | 2016 | |
| | | % of revenue | | % of revenue | | % of revenue | | % of revenue |
| **IFRS revenue** | $ 1,514.9 | | $ 1,623.7 | | $ 5,639.2 | | $ 6,016.5 | |
| | | | | | | | | |
| **IFRS gross profit** | $ 101.3 | 6.7% | $ 111.9 | 6.9% | $ 391.1 | 6.9% | $ 427.6 | 7.1% |
| Employee stock-based compensation expense | 4.3 | | 4.6 | | 16.3 | | 15.0 | |
| **Non-IFRS adjusted gross profit** | $ 105.6 | 7.0% | $ 116.5 | 7.2% | $ 407.4 | 7.2% | $ 442.6 | 7.4% |
| | | | | | | | | |
| **IFRS SG&A** | $ 51.8 | 3.4% | $ 53.2 | 3.3% | $ 207.5 | 3.7% | $ 211.1 | 3.5% |
| Employee stock-based compensation expense | (6.5) | | (5.8) | | (21.3) | | (18.0) | |
| **Non-IFRS adjusted SG&A** | $ 45.3 | 3.0% | $ 47.4 | 2.9% | $ 186.2 | 3.3% | $ 193.1 | 3.2% |
| | | | | | | | | |
| **IFRS earnings before income taxes** | $ 23.8 | 1.6% | $ 29.3 | 1.8% | $ 109.1 | 1.9% | $ 161.0 | 2.7% |
| Finance costs | 2.6 | | 2.7 | | 6.3 | | 10.0 | |
| Refund interest income | — | | (8.3) | | — | | (14.3) | |
| Employee stock-based compensation expense | 10.8 | | 10.4 | | 37.6 | | 33.0 | |
| Amortization of intangible assets (excluding computer software) | 1.5 | | 1.5 | | 6.0 | | 6.0 | |
| Net restructuring, Impairment and other charges | 14.3 | | 25.8 | | 35.8 | | 25.5 | |
| **Non-IFRS operating earnings (adjusted EBIAT)** [(1)] | $ 53.0 | 3.5% | $ 61.4 | 3.8% | $ 194.8 | 3.5% | $ 221.2 | 3.7% |
| | | | | | | | | |
| **IFRS net earnings** | $ 12.1 | 0.8% | $ 20.9 | 1.3% | $ 66.9 | 1.2% | $ 136.3 | 2.3% |
| Employee stock-based compensation expense | 10.8 | | 10.4 | | 37.6 | | 33.0 | |
| Amortization of intangible assets (excluding computer software) | 1.5 | | 1.5 | | 6.0 | | 6.0 | |
| Net restructuring, Impairment and other charges | 14.3 | | 25.8 | | 35.8 | | 25.5 | |
| Adjustments for taxes [(2)] | 0.2 | | 0.9 | | (1.3) | | 0.1 | |
| **Non-IFRS adjusted net earnings** | $ 38.9 | | $ 59.5 | | $ 145.0 | | $ 200.9 | |
| | | | | | | | | |
| **Diluted EPS** | | | | | | | | |
| Weighted average # of shares (in millions)* | 145.2 | | 143.4 | | 157.9 | | 143.9 | |
| IFRS earnings per share | $ 0.08 | | $ 0.15 | | $ 0.42 | | $ 0.95 | |
| Non-IFRS adjusted earnings per share | $ 0.27 | | $ 0.41 | | $ 0.92 | | $ 1.40 | |
| # of shares outstanding at period end (in millions) | 143.5 | | 140.9 | | 143.5 | | 140.9 | |
| | | | | | | | | |
| **IFRS cash provided by operations** | $ 92.0 | | $ 87.5 | | $ 196.3 | | $ 173.3 | |
| Purchase of property, plant and equipment, net of sales proceeds | (15.4) | | (17.8) | | (60.0) | | (63.1) | |
| Deposit on anticipated sale of real property | — | | — | | 11.2 | | — | |
| Finance lease payments | — | | (1.0) | | — | | (4.5) | |
| Repayments from (advances to) Solar Supplier | 1.8 | | 3.0 | | (26.5) | | 14.0 | |
| Finance costs paid | (2.4) | | (2.4) | | (7.8) | | (9.5) | |
| **Non-IFRS free cash flow** [(3)] | $ 76.0 | | $ 69.3 | | $ 113.2 | | $ 110.2 | |
| | | | | | | | | |
| **IFRS ROIC %** [(4)] | 9.6% | | 10.8% | | 11.1% | | 15.2% | |
| **Non-IFRS adjusted ROIC %** [(4)] | 21.4% | | 22.7% | | 19.8% | | 20.8% | |

* The calculation of our weighted average number of shares (used to determine our IFRS EPS and non-IFRS adjusted EPS) for the year ended December 31, 2016 reflects the full impact of the reduction in outstanding subordinate voting shares as a result of our share repurchases and cancellations in 2015 pursuant to our $350.0 million substantial issuer bid and our NCIB then in effect. Accordingly, the positive effect of the reduced weighted average number of shares on our IFRS EPS and non-IFRS adjusted EPS for the full year 2016 was greater as compared to the full year 2015.

(1) Management uses non-IFRS operating earnings (adjusted EBIAT) as a measure to assess our operational performance related to our core operations. Non-IFRS adjusted EBIAT is defined as earnings before finance costs (consisting of interest and fees related to our credit facility, our accounts receivable sales program and a customer's supplier financing program), amortization of intangible assets (excluding computer software) and income taxes. Non-IFRS adjusted EBIAT also excludes, in periods where such charges have been recorded, employee stock-based compensation expense, restructuring and other charges, including acquisition-related transaction costs (net of recoveries), gains or losses related to the repurchase of our securities, impairment charges and refund interest income. Refund interest

income represents the refund of interest on cash then held on account with tax authorities in connection with the resolution of certain previously disputed tax matters in the second half of 2016 (see notes 12 and 14 to our Interim Financial Statements).

(2) The adjustments for taxes, as applicable, represent the tax effects on our non-IFRS adjustments.

Our effective tax rate for the fourth quarter of 2016 was 29%. After excluding the tax effects of employee stock-based compensation expense of $10.4, amortization of intangible assets (excluding computer software) of $1.5, net restructuring, impairment and other charges of $25.8, and other tax charges related to restructured sites of $0.5, our non-IFRS adjusted effective tax rate for the fourth quarter of 2016 was 11%. Our effective tax rate for the full year 2016 was 15%. After excluding the tax effects of employee stock-based compensation expense of $33.0, amortization of intangible assets (excluding computer software) of $6.0, net restructuring, impairment and other charges of $25.5, and other tax charges related to restructured sites of $1.4, our non-IFRS adjusted effective tax rate for the full year 2016 was 11%.

Our effective tax rate for the fourth quarter of 2015 was 49%. After excluding the tax effects of employee stock-based compensation expense of $10.8, amortization of intangible assets (excluding computer software) of $1.5, and net restructuring, impairment and other charges of $14.3, our non-IFRS adjusted effective tax rate for the fourth quarter of 2015 was 23%. Our effective tax rate for the full year 2015 was 39%. After excluding the tax effects of employee stock-based compensation expense of $37.6, amortization of intangible assets (excluding computer software) of $6.0, net restructuring, impairment and other charges of $35.8, and other tax charges related to restructured sites of $1.2, our non-IFRS adjusted effective tax rate for the full year 2015 was 23%.

(3) Management uses non-IFRS free cash flow as a measure, in addition to IFRS cash flow provided by (used in) operations, to assess our operational cash flow performance. We believe non-IFRS free cash flow provides another level of transparency to our liquidity. Non-IFRS free cash flow is defined as cash provided by (used in) operations after the purchase of property, plant and equipment (net of proceeds from the sale of certain surplus equipment and property), deposits received on the anticipated sale of real property (see note 17 to our 2015 annual audited consolidated financial statements), finance lease payments, advances to (or repayments from) a solar supplier, and finance costs paid. Note that non-IFRS free cash flow, however, does not represent residual cash flow available to Celestica for discretionary expenditures.

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

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

| | Three months ended December 31 | | Year ended December 31 | |
|---|---|---|---|---|
| | 2015 | 2016 | 2015 | 2016 |
| IFRS earnings before income taxes | $ 23.8 | $ 29.3 | $ 109.1 | $ 161.0 |
| Multiplier | 4 | 4 | 1 | 1 |
| Annualized IFRS earnings before income taxes | $ 95.2 | $ 117.2 | $ 109.1 | $ 161.0 |
| Average net invested capital for the period | $ 992.5 | $ 1,083.8 | $ 984.0 | $ 1,062.3 |
| IFRS ROIC % (1) | 9.6% | 10.8% | 11.1% | 15.2% |

| | Three months ended December 31 | | Year ended December 31 | |
|---|---|---|---|---|
| | 2015 | 2016 | 2015 | 2016 |
| Non-IFRS operating earnings (adjusted EBIAT) | $ 53.0 | $ 61.4 | $ 194.8 | $ 221.2 |
| Multiplier | 4 | 4 | 1 | 1 |
| Annualized non-IFRS adjusted EBIAT | $ 212.0 | $ 245.6 | $ 194.8 | $ 221.2 |
| Average net invested capital for the period | $ 992.5 | $ 1,083.8 | $ 984.0 | $ 1,062.3 |
| Non-IFRS adjusted ROIC % (1) | 21.4% | 22.7% | 19.8% | 20.8% |

| | December 31 2015 | March 31 2016 | June 30 2016 | September 30 2016 | December 31 2016 |
|---|---|---|---|---|---|
| Net invested capital consists of: | | | | | |
| Total assets | $ 2,612.0 | $ 2,621.9 | $ 2,720.1 | $ 2,813.7 | $ 2,822.3 |
| Less: cash | 545.3 | 511.5 | 472.9 | 542.0 | 557.2 |
| Less: accounts payable, accrued and other current liabilities, provisions and income taxes payable | 1,104.3 | 1,053.8 | 1,122.5 | 1,179.4 | 1,189.7 |
| Net invested capital at period end (1) | $ 962.4 | $ 1,056.6 | $ 1,124.7 | $ 1,092.3 | $ 1,075.4 |

| | December 31 2014 | March 31 2015 | June 30 2015 | September 30 2015 | December 31 2015 |
|---|---|---|---|---|---|
| Net invested capital consists of: | | | | | |
| Total assets | $ 2,583.6 | $ 2,579.3 | $ 2,624.7 | $ 2,603.6 | $ 2,612.0 |
| Less: cash | 565.0 | 569.2 | 496.8 | 495.7 | 545.3 |
| Less: accounts payable, accrued and other current liabilities, provisions and income taxes payable | 1,054.3 | 1,044.8 | 1,122.3 | 1,085.3 | 1,104.3 |
| Net invested capital at period end (1) | $ 964.3 | $ 965.3 | $ 1,005.6 | $ 1,022.6 | $ 962.4 |

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

**GUIDANCE SUMMARY**

| | Q4 2016 Guidance | Q4 2016 Actual | Q1 2017 Guidance [(2)] |
|---|---|---|---|
| IFRS revenue (in billions) [(1)] | $1.5 to $1.6 | $ 1.62 | $1.4 to $1.5 |
| Non-IFRS operating margin [(1)] | 3.8% at the mid-point of expectations | 3.8 % | 3.5% |
| Non-IFRS adjusted EPS [(1)] | $0.29 to $0.35 | $ 0.41 | $0.24 to $0.30 |

(1) Revenue of $1.62 billion for the fourth quarter of 2016 was above the high end of our guidance range primarily as a result of increased demand from our communications end market. Our non-IFRS operating margin of 3.8% was consistent with the mid-point of our expectations.

Non-IFRS adjusted EPS for the fourth quarter of 2016 was favorably impacted by a $0.07 per share net benefit related to income taxes, comprised of a $0.10 per share income tax recovery attributable to the resolution of certain previously disputed tax matters in Canada (including related refund interest income) and a $0.03 per share favorable deferred tax recovery, offset in part by a $0.06 per share income tax expense related to taxable foreign exchange impacts. See notes 12 and 14 to our Interim Financial Statements. The foregoing items arose in the fourth quarter of 2016, and were, therefore not factored into our guidance for this measure for that period. Non-IFRS adjusted EPS for the fourth quarter of 2016 would have been towards the high end of our guidance range for the quarter without the net income tax benefits referred to above.

(2) For the first quarter of 2017, we anticipate a negative $0.11 to $0.17 per share (pre-tax) aggregate impact on net earnings on an IFRS basis for employee stock-based compensation expense, amortization of intangible assets (excluding computer software) and restructuring charges. We cannot predict changes in currency exchange rates, the impact of such changes on our operating results, or the degree to which we will be able to manage such impacts.

**CELESTICA INC.**

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

| | December 31 2015 | December 31 2016 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents (note 13) | $ 545.3 | $ 557.2 |
| Accounts receivable (note 6) | 681.0 | 790.5 |
| Inventories (note 7) | 794.6 | 890.6 |
| Income taxes receivable | 10.4 | 5.4 |
| Assets classified as held-for-sale | 27.4 | 28.9 |
| Other current assets (note 5) | 65.3 | 73.9 |
| Total current assets | 2,124.0 | 2,346.5 |
| | | |
| Property, plant and equipment | 314.6 | 302.7 |
| Goodwill | 19.5 | 23.2 |
| Intangible assets | 30.4 | 25.5 |
| Deferred income taxes | 40.1 | 36.4 |
| Other non-current assets | 83.4 | 88.0 |
| Total assets | $ 2,612.0 | $ 2,822.3 |
| | | |
| **Liabilities and Equity** | | |
| Current liabilities: | | |
| Current portion of borrowings under credit facility and finance lease obligations (notes 5 & 8) | $ 29.1 | $ 56.0 |
| Accounts payable | 801.4 | 876.9 |
| Accrued and other current liabilities | 257.7 | 261.7 |
| Income taxes payable | 25.0 | 32.4 |
| Current portion of provisions | 20.2 | 18.7 |
| Total current liabilities | 1,133.4 | 1,245.7 |
| | | |
| Long-term portion of borrowings under credit facility and finance lease obligations (notes 5 & 8) | 250.6 | 188.7 |
| Pension and non-pension post-employment benefit obligations | 83.2 | 86.0 |
| Provisions and other non-current liabilities | 28.0 | 28.3 |
| Deferred income taxes | 25.8 | 34.8 |
| Total liabilities | 1,521.0 | 1,583.5 |
| | | |
| Equity: | | |
| Capital stock (note 9) | 2,093.9 | 2,048.2 |
| Treasury stock (note 9) | (31.4) | (15.3) |
| Contributed surplus | 846.7 | 862.6 |
| Deficit | (1,785.4) | (1,632.0) |
| Accumulated other comprehensive loss | (32.8) | (24.7) |
| Total equity | 1,091.0 | 1,238.8 |
| Total liabilities and equity | $ 2,612.0 | $ 2,822.3 |

Contingencies (note 14)

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

**CELESTICA INC.**

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

| | Three months ended December 31 | | Year ended December 31 | |
|---|---|---|---|---|
| | **2015** | **2016** | **2015** | **2016** |
| Revenue | $ 1,514.9 | $ 1,623.7 | $ 5,639.2 | $ 6,016.5 |
| Cost of sales (note 7) | 1,413.6 | 1,511.8 | 5,248.1 | 5,588.9 |
| Gross profit | 101.3 | 111.9 | 391.1 | 427.6 |
| Selling, general and administrative expenses (SG&A) | 51.8 | 53.2 | 207.5 | 211.1 |
| Research and development | 6.5 | 6.7 | 23.2 | 24.9 |
| Amortization of intangible assets | 2.3 | 2.5 | 9.2 | 9.4 |
| Other charges (note 11) | 14.3 | 25.8 | 35.8 | 25.5 |
| Earnings from operations | 26.4 | 23.7 | 115.4 | 156.7 |
| Refund interest income (note 14) | — | (8.3) | — | (14.3) |
| Finance costs | 2.6 | 2.7 | 6.3 | 10.0 |
| Earnings before income taxes | 23.8 | 29.3 | 109.1 | 161.0 |
| Income tax expense (recovery) (note 12): | | | | |
| Current | 14.7 | 9.4 | 38.7 | 14.2 |
| Deferred | (3.0) | (1.0) | 3.5 | 10.5 |
| | 11.7 | 8.4 | 42.2 | 24.7 |
| Net earnings for the period | $ 12.1 | $ 20.9 | $ 66.9 | $ 136.3 |
| Basic earnings per share | $ 0.08 | $ 0.15 | $ 0.43 | $ 0.96 |
| Diluted earnings per share | $ 0.08 | $ 0.15 | $ 0.42 | $ 0.95 |
| Shares used in computing per share amounts (in millions): | | | | |
| Basic | 143.1 | 140.9 | 155.8 | 141.8 |
| Diluted | 145.2 | 143.4 | 157.9 | 143.9 |

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

**CELESTICA INC.**

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

| | Three months ended December 31 | | Year ended December 31 | |
|---|---|---|---|---|
| | **2015** | **2016** | **2015** | **2016** |
| Net earnings for the period | $ 12.1 | $ 20.9 | $ 66.9 | $ 136.3 |
| Other comprehensive income (loss), net of tax: | | | | |
| Items that will not be reclassified to net earnings (loss): | | | | |
| Actuarial gains (losses) on pension and non-pension post-employment benefit plans (note 10) | (7.0) | 17.1 | (7.0) | 17.1 |
| Items that may be reclassified to net earnings: | | | | |
| Currency translation differences for foreign operations | (0.3) | (2.6) | (1.7) | — |
| Changes from derivatives designated as hedges | 8.5 | (10.6) | (6.1) | 8.1 |
| Total comprehensive income for the period | $ 13.3 | $ 24.8 | $ 52.1 | $ 161.5 |

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

**CELESTICA INC.**

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

| | Capital stock (note 9) | Treasury stock (note 9) | Contributed surplus | Deficit | Accumulated other comprehensive loss (a) | Total equity |
|---|---|---|---|---|---|---|
| Balance — January 1, 2015 | $ 2,609.5 | $ (21.4) | $ 677.1 | $ (1,845.3) | $ (25.0) | $ 1,394.9 |
| **Capital transactions (note 9):** | | | | | | |
| Issuance of capital stock | 12.6 | — | (8.7) | — | — | 3.9 |
| Repurchase of capital stock for cancellation | (528.2) | — | 157.8 | — | — | (370.4) |
| Purchase of treasury stock for stock-based plans | — | (28.9) | — | — | — | (28.9) |
| Stock-based compensation and other | — | 18.9 | 20.5 | — | — | 39.4 |
| **Total comprehensive income:** | | | | | | |
| Net earnings for the period | — | — | — | 66.9 | — | 66.9 |
| Other comprehensive loss, net of tax: | | | | | | |
| Actuarial losses on pension and non-pension post-employment benefit plans (note 10) | — | — | — | (7.0) | — | (7.0) |
| Currency translation differences for foreign operations | — | — | — | — | (1.7) | (1.7) |
| Changes from derivatives designated as hedges | — | — | — | — | (6.1) | (6.1) |
| Balance — December 31, 2015 | $ 2,093.9 | $ (31.4) | $ 846.7 | $ (1,785.4) | $ (32.8) | $ 1,091.0 |
| **Capital transactions (note 9):** | | | | | | |
| Issuance of capital stock | 6.4 | — | (2.3) | — | — | 4.1 |
| Repurchase of capital stock for cancellation | (52.1) | — | 17.8 | — | — | (34.3) |
| Purchase of treasury stock for stock-based plans | — | (18.2) | — | — | — | (18.2) |
| Stock-based compensation and other | — | 34.3 | 0.4 | — | — | 34.7 |
| **Total comprehensive income:** | | | | | | |
| Net earnings for the period | — | — | — | 136.3 | — | 136.3 |
| Other comprehensive income, net of tax: | | | | | | |
| Actuarial gains on pension and non-pension post-employment benefit plans (note 10) | — | — | — | 17.1 | — | 17.1 |
| Changes from derivatives designated as hedges | — | — | — | — | 8.1 | 8.1 |
| Balance — December 31, 2016 | $ 2,048.2 | $ (15.3) | $ 862.6 | $ (1,632.0) | $ (24.7) | $ 1,238.8 |

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

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

**CELESTICA INC.**

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

| | Three months ended December 31 | | Year ended December 31 | |
|---|---|---|---|---|
| | **2015** | **2016** | **2015** | **2016** |
| **Cash provided by (used in):** | | | | |
| **Operating activities:** | | | | |
| Net earnings for the period | $ 12.1 | $ 20.9 | $ 66.9 | $ 136.3 |
| Adjustments to net earnings for items not affecting cash: | | | | |
| Depreciation and amortization | 17.8 | 20.3 | 68.3 | 75.6 |
| Equity-settled stock-based compensation | 10.8 | 10.4 | 37.6 | 33.0 |
| Other charges | 12.6 | 19.0 | 16.3 | 21.2 |
| Finance costs, net of refund interest income | 2.6 | (5.6) | 6.3 | (4.3) |
| Income tax expense | 11.7 | 8.4 | 42.2 | 24.7 |
| Other | (8.7) | (2.2) | (17.5) | (1.1) |
| Changes in non-cash working capital items: | | | | |
| Accounts receivable | (37.3) | (69.7) | 12.5 | (104.6) |
| Inventories | 54.1 | 45.5 | (75.6) | (89.5) |
| Other current assets | (2.5) | 7.5 | 38.2 | (5.3) |
| Accounts payable, accrued and other current liabilities and provisions | 34.1 | (11.1) | 28.8 | 75.4 |
| Non-cash working capital changes | 48.4 | (27.8) | 3.9 | (124.0) |
| Net income tax refund (paid), including related interest (note 14) | (15.3) | 44.1 | (27.7) | 11.9 |
| Net cash provided by operating activities | 92.0 | 87.5 | 196.3 | 173.3 |
| | | | | |
| **Investing activities:** | | | | |
| Acquisition (note 4) | — | (14.9) | — | (14.9) |
| Purchase of computer software and property, plant and equipment | (16.0) | (17.9) | (62.8) | (64.1) |
| Proceeds from sale of assets | 0.6 | 0.1 | 2.8 | 1.0 |
| Deposit on anticipated sale of real property | — | — | 11.2 | — |
| Advances to solar supplier (note 5) | (1.2) | — | (29.5) | — |
| Repayments from solar supplier (note 5) | 3.0 | 3.0 | 3.0 | 14.0 |
| Net cash used in investing activities | (13.6) | (29.7) | (75.3) | (64.0) |
| | | | | |
| **Financing activities:** | | | | |
| Borrowings under credit facility (note 8) | — | — | 275.0 | 40.0 |
| Repayments under credit facility (note 8) | (6.3) | (31.3) | (12.5) | (75.0) |
| Finance lease payments (note 8) | — | (1.0) | — | (4.5) |
| Issuance of capital stock (note 9) | 0.8 | 0.8 | 3.9 | 4.1 |
| Repurchase of capital stock for cancelation (note 9) | (0.2) | — | (370.4) | (34.3) |
| Purchase of treasury stock for stock-based plans (note 9) | (20.7) | (8.7) | (28.9) | (18.2) |
| Finance costs paid | (2.4) | (2.4) | (7.8) | (9.5) |
| Net cash used in financing activities | (28.8) | (42.6) | (140.7) | (97.4) |
| | | | | |
| Net increase (decrease) in cash and cash equivalents | 49.6 | 15.2 | (19.7) | 11.9 |
| Cash and cash equivalents, beginning of period | 495.7 | 542.0 | 565.0 | 545.3 |
| Cash and cash equivalents, end of period | $ 545.3 | $ 557.2 | $ 545.3 | $ 557.2 |

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

**CELESTICA INC.**

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

## 1. REPORTING ENTITY

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

Celestica delivered innovative supply chain solutions globally to customers in the following end markets during 2016: Communications (comprised of enterprise communications and telecommunications), Consumer, Diversified (comprised of aerospace and defense, industrial, healthcare, energy, and semiconductor equipment), Servers, and Storage. Our product lifecycle offerings include a range of services to our customers including design and development, engineering services, supply chain management, new product introduction, component sourcing, electronics manufacturing, assembly and test, complex mechanical assembly, systems integration, precision machining, order fulfillment, logistics and after-market repair and return services.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

***Statement of compliance:***

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

These unaudited interim condensed consolidated financial statements were authorized for issuance by our board of directors on January 26, 2017.

***Functional and presentation currency:***

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

***Use of estimates and judgments:***

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

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

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

We have also applied significant judgment in the following areas: the determination of our CGUs and whether events or changes in circumstances during the relevant period are indicators that a review for impairment should be conducted, and the timing of the recognition of charges or recoveries associated with our restructuring actions.

These unaudited interim condensed consolidated financial statements are based upon accounting policies and estimates consistent with those used and described in note 2 of our 2015 annual audited consolidated financial statements, except as described below. There have been no material changes to our significant accounting estimates and assumptions or the judgments affecting the application of such estimates and assumptions during the fourth quarter of 2016 from those described in the notes to our 2015 annual audited consolidated financial statements, other than changes to estimates and assumptions related to our solar panel manufacturing business resulting from our decision to exit such business. See note 11. The near-term economic environment could also impact certain estimates necessary to prepare our consolidated financial statements, in particular, the estimates related to the recoverable amounts used in our impairment testing of our non-financial assets, and the discount rates applied to our net pension and non-pension post-employment benefit assets or liabilities.

***Recently issued accounting pronouncements:***

*IFRS 15, Revenue from Contracts with Customers:*

In May 2014, the IASB issued this standard, which provides a single, principles-based five-step model for revenue recognition to be applied to all customer contracts, and requires enhanced disclosures. The new standard is effective January 1, 2018, and allows for early adoption. We have elected to adopt this standard in our consolidated financial statements for the year ending December 31, 2018 using the retrospective approach. Under this approach, we will restate each comparative reporting period presented and recognize the transitional adjustments through equity at the start of the first comparative reporting period presented (January 1, 2016). We have determined that the new standard will change the timing of revenue recognition for a significant portion of our business. Under the new standard, revenue for certain customer contracts will be recognized earlier than under the current recognition rules (which is generally upon delivery). We believe the adoption of the new standard will materially impact our consolidated financial statements. However, the extent of the financial impacts cannot be reasonably estimable until we complete our detailed analysis during 2017.

*IFRS 9, Financial Instruments:*

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

*IFRS 16, Leases:*

In January 2016, the IASB issued this standard, which brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. IFRS 16 supersedes IAS 17, *Leases*, and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted. We do not intend to adopt this standard early and are currently evaluating the anticipated impact of adopting this standard on our consolidated financial statements.

## 3. SEGMENT AND CUSTOMER REPORTING

***End markets:***

The following table indicates revenue by end market as a percentage of total revenue for the periods indicated. Our revenue fluctuates from period-to-period depending on numerous factors, including but not limited to: the mix and complexity of the products or services we provide, the extent, timing and rate of new program wins, and the execution of our programs and services, follow-on business, program completions or losses, the phasing in or out of programs, the success in the marketplace of our customers' products, changes in customer demand, and the seasonality of our business. We expect that the pace of technological

change, the frequency of customers transferring business among EMS competitors, the level of outsourcing by customers (including decisions to insource), and the dynamics of the global economy will also continue to impact our business from period-to-period.

| | Three months ended December 31 | | Year ended December 31 | |
|---|---|---|---|---|
| | **2015** | **2016** | **2015** | **2016** |
| Communications | 38% | 44% | 40% | 42% |
| Consumer | 3% | 2% | 3% | 2% |
| Diversified | 30% | 27% | 29% | 30% |
| Servers | 10% | 8% | 10% | 8% |
| Storage | 19% | 19% | 18% | 18% |

Our diversified end market for 2016 was comprised of aerospace and defense, industrial, healthcare, energy, and semiconductor equipment.

***Customers:***

For the fourth quarter and full year 2016, we had two customers (Cisco Systems and Juniper Networks) that individually represented more than 10% of total revenue (fourth quarter and full year 2015 — three customers (Cisco Systems, IBM and Juniper Networks). Cisco Systems accounted for 19% of total revenue in 2016 (2015 — 16%) and Juniper Networks accounted for 11% of total revenue for 2016 (2015 — 12%).

## 4. ACQUISITION:

In November 2016, we acquired the business assets of Lorenz, Inc. and Suntek Manufacturing Technologies, SA de CV, collectively known as Karel Manufacturing (Karel) for a cash purchase price of $14.9. Karel is a Mexico-based manufacturing services company that specializes in complex wire harness assembly, systems integration, sheet metal fabrication, welding and machining, serving primarily aerospace and defense customers. As part of the acquisition, we acquired net working capital of $10.0, capital equipment and other assets of $1.2, and goodwill of $3.7, representing the specialized knowledge of the acquired workforce and expected synergies. Approximately two-thirds of the goodwill is tax deductible. We expensed integration and acquisition-related transaction costs totaling $1.4 in other charges in our consolidated statement of operations.

The acquisition did not have a significant impact on our consolidated results of operations in 2016.

*Pro forma disclosure:* Revenue and net earnings for the period would not have been materially different had the acquisition occurred at the beginning of the year.

## 5. SOLAR INVESTMENTS

In March 2015, we entered into a supply agreement with an Asia-based solar cell supplier (Solar Supplier) to help secure our solar cell supply. This agreement had an initial term of three and a half years. As a result of the continued and expected prolonged volatility in the solar panel market, and since we no longer expect to generate reasonable returns, we made a decision in the fourth quarter of 2016 to exit the solar panel manufacturing business (see note 11(a)). The agreement with the Solar Supplier was also terminated early. The advances we made to the Solar Supplier under the supply agreement which remain unpaid are anticipated to continue to be repaid through quarterly repayment installments during 2017 (notwithstanding the early termination of this agreement). As of December 31, 2016, advances of $12.5 remain recoverable from the Solar Supplier, which we have recorded as other current assets on our consolidated balance sheet. In addition, as of December 31, 2016, we have $13.1 in accounts receivable due from the Solar Supplier.

In April 2015, we entered into five-year lease agreements, expiring in April 2020, pursuant to which we leased $19.3 of manufacturing equipment for our solar operations in Asia. These leases qualify as finance leases under IFRS and require quarterly lease payments which commenced in January 2016. As of December 31, 2016, our remaining solar lease obligations totaled $15.3,

which we have recorded as current liabilities on our consolidated balance sheet as we intend to terminate and settle these leases in 2017. See note 8.

## 6. ACCOUNTS RECEIVABLE

We have an accounts receivable sales agreement to sell up to $250.0 at any one time in accounts receivable on an uncommitted basis (subject to pre-determined limits by customer) to two third-party banks. Each of these banks had a Standard and Poor's long-term rating of BBB+ or above and a short-term rating of A-2 or above at December 31, 2016. The term of this agreement has been annually extended in recent years for additional one-year periods (and is currently extendable to November 2018 under specified circumstances), but may be terminated earlier as provided in the agreement. At December 31, 2016, $50.0 of accounts receivable were sold under this facility (December 31, 2015 — $50.0). We continue to collect cash from our customers and remit the cash to the banks when collected.

The successor company in an August 2016 acquisition of one of our significant customers (Successor Customer) has required longer than historical payment terms commencing with orders after October 1, 2016. In connection therewith, we registered for the Successor Customer's supplier financing program pursuant to which participating suppliers may sell accounts receivable from the Successor Customer to a third-party bank on an uncommitted basis in order to receive earlier payment. At December 31, 2016, we sold $51.4 of accounts receivable under this program (December 31, 2015 — nil). We utilized this program to substantially offset the effect of the extended payment terms on our working capital for the period. The third-party bank collects the relevant receivable directly from the Successor Customer.

The accounts receivable sold under both of these arrangements are de-recognized from our accounts receivable balance and removed from our consolidated balance sheet, and the proceeds are reflected as cash provided by operating activities in our consolidated statement of cash flows. Upon sale, we assign the rights to the accounts receivable to the banks. We pay interest and fees which we record in finance costs in our consolidated statement of operations.

## 7. INVENTORIES

We record our inventory provisions, net of valuation recoveries in cost of sales. We record inventory provisions to reflect write-downs in the value of our inventory to net realizable value, and valuation recoveries primarily to reflect realized gains on the disposition of inventory previously written down to net realizable value. We recorded net inventory provisions of $2.1 and $12.0 for the fourth quarter and full year 2016, respectively (fourth quarter and full year 2015 — net inventory recoveries of $0.9 and net inventory provisions of $3.8, respectively). We regularly review our estimates and assumptions used to value our inventory through analysis of historical performance. Our inventory provisions for the fourth quarter and full year 2016 consisted primarily of the write down of our solar panel inventory to net realizable value. During the fourth quarter of 2016, we made the decision to exit the solar panel manufacturing business. See note 11(a).

## 8. CREDIT FACILITIES AND LONG-TERM DEBT

In order to fund a portion of our share repurchases under the $350.0 substantial issuer bid (the SIB) completed in June 2015, we amended our revolving credit facility in May 2015 to add a non-revolving term loan component (Term Loan) in the amount of $250.0 (in addition to the previous revolving credit limit of $300.0), and to extend the maturity of the entire facility from October 2018 to May 2020. We funded the SIB using the proceeds of the Term Loan, $25.0 drawn on the revolving portion of the credit facility (Revolving Facility), and $75.0 of available cash on hand. We also borrowed an additional $40.0 under the Revolving Facility in the first quarter of 2016 to fund the repurchase of shares under our current normal course issuer bid. During the fourth quarter of 2016, we made a scheduled quarterly principal repayment of $6.25 (full year 2016 — $25.0) under the Term Loan, and a repayment of $25.0 under the Revolving Facility (full year 2016 — $50.0). At December 31, 2016, $227.5 was outstanding under the credit facility, comprised of $15.0 under the Revolving Facility and $212.5 under the Term Loan (December 31, 2015 — $262.5 outstanding, comprised of $25.0 under the Revolving Facility and $237.5 under the Term Loan).

The Revolving Facility has an accordion feature that allows us to increase the $300.0 limit by an additional $150.0 on an uncommitted basis upon satisfaction of certain terms and conditions. The Revolving Facility also includes a $25.0 swing line, subject to the overall revolving credit limit, that provides for short-term borrowings up to a maximum of seven days. The Revolving Facility permits us and certain designated subsidiaries to borrow funds for general corporate purposes, including acquisitions.

Borrowings under the Revolving Facility bear interest for the period of the draw at various base rates selected by us consisting of LIBOR, Prime, Base Rate Canada, and Base Rate (each as defined in the amended credit agreement), plus a margin. The margin for borrowings under the Revolving Facility ranges from 0.6% to 1.4% (except in the case of the LIBOR base rate, in which case, the margin ranges from 1.6% to 2.4%), based on a specified financial ratio based on indebtedness. The Term Loan bears interest at LIBOR plus a margin ranging from 2.0% to 3.0% based on the same financial ratio.

We are required to comply with certain restrictive covenants under the credit facility, including those relating to the incurrence of senior ranking indebtedness, the sale of assets, a change of control, and certain financial covenants related to indebtedness and interest coverage. Certain of our assets are pledged as security for borrowings under this facility. If an event of default occurs and is continuing, the administrative agent may declare all advances on the facility to be immediately due and payable and may cancel the lenders' commitments to make further advances thereunder.

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

| | December 31 2015 | December 31 2016 |
|---|---|---|
| Borrowings under the Revolving Facility | $ 25.0 | $ 15.0 |
| Term Loan | 237.5 | 212.5 |
| Total borrowings under credit facility | 262.5 | 227.5 |
| Less: unamortized debt issuance costs [1] | (1.8) | (1.2) |
| Finance lease obligations (note 5) [2] | 19.0 | 18.4 |
| | $ 279.7 | $ 244.7 |
| Comprised of: | | |
| Current portion of borrowings under credit facility and finance lease obligations [2] | $ 29.1 | $ 56.0 |
| Long-term portion of borrowings under credit facility and finance lease obligations | 250.6 | 188.7 |
| | $ 279.7 | $ 244.7 |

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

(2) At December 31, 2016, $15.3 of our finance lease obligations relate to manufacturing equipment for our solar panel business. As a result of our exit from this business, we intend to terminate and settle these lease obligations in 2017 and have recorded all remaining payments thereunder as current liabilities on our consolidated balance sheet as at December 31, 2016. See note 5.

The amounts outstanding under the Revolving Facility are due upon maturity of the facility in May 2020. We are permitted to repay amounts prior to maturity. Prepayments are also required under certain circumstances.

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

| Years ending December 31 | Amount |
|---|---|
| 2017 | $ 25.0 |
| 2018 | 25.0 |
| 2019 | 25.0 |
| 2020 (to maturity in May 2020) | 137.5 |
| | $ 212.5 |

We are permitted to make voluntary prepayments of the Term Loan, subject to certain terms and conditions. Prepayments on the Term Loan are also required under certain circumstances. Repaid amounts on the Term Loan may not be re-borrowed.

At December 31, 2016, we were in compliance with all restrictive and financial covenants under the credit facility. Commitment fees paid in the fourth quarter and full year 2016 were $0.4 and $1.4, respectively (fourth quarter and full year 2015 — $0.4 and $1.3, respectively). At December 31, 2016, we had $25.8 (December 31, 2015 — $27.2) outstanding in letters of credit under this facility.

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

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

## 9. CAPITAL STOCK

*Share repurchases:*

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

In September 2015, we completed an NCIB launched in September 2014 (2014 NCIB), which allowed us to repurchase, at our discretion, up to approximately 10.3 million subordinate voting shares in the open market, or as otherwise permitted. During 2015, prior to its expiry, we repurchased and cancelled a total of 6.1 million subordinate voting shares for $69.8 (including transaction fees) under the 2014 NCIB, at a weighted average price of $11.46 per share, including 4.4 million subordinate voting shares repurchased under a $50.0 PSR which we funded in December 2014. We completed the share repurchases under this PSR on January 28, 2015 at a weighted average price of $11.38 per share.

In the second quarter of 2015, we launched and completed the SIB, pursuant to which we repurchased and cancelled approximately 26.3 million subordinate voting shares at a price of $13.30 per share (for an aggregate purchase price of $350.0), representing approximately 15.5% of our total multiple voting shares and subordinate voting shares issued and outstanding prior to completion of the SIB. We funded the share repurchases with the proceeds of the $250.0 Term Loan, $25.0 drawn on the Revolving Facility, and $75.0 of cash on hand. See note 8.

On February 22, 2016, the TSX accepted our notice to launch a new NCIB (2016 NCIB) which was amended in March 2016 to permit PSRs. The 2016 NCIB allows us to repurchase, at our discretion, until the earlier of February 23, 2017 or the completion of purchases thereunder, up to approximately 10.5 million subordinate voting shares (representing approximately 7.3% of our total outstanding subordinate voting and multiple voting shares at the time of launch) in the open market or as otherwise permitted, subject to the normal terms and limitations of such bids. The maximum number of subordinate voting shares we are permitted to repurchase for cancellation under the 2016 NCIB will be reduced by the number of subordinate voting shares purchased thereunder to satisfy obligations under our stock-based compensation plans. During 2016, we paid $34.3 (including transaction fees) to repurchase and cancel 3.2 million subordinate voting shares under the 2016 NCIB at a weighted average price of $10.69 per share,

including 2.8 million subordinate voting shares repurchased under a $30.0 PSR funded in March 2016 at a weighted average price of $10.69 per share. We did not repurchase any shares for cancellation during the fourth quarter of 2016. During the fourth quarter of 2016, we repurchased 1.1 million (1.6 million for the full year 2016) subordinate voting shares under the 2016 NCIB to satisfy obligations under our stock-based compensation plans (see below). As of December 31, 2016, up to an additional 5.7 million subordinate voting shares may be repurchased under the 2016 NCIB during the remainder of its term.

*Stock-based compensation:*

We grant share unit awards to employees under our stock-based compensation plans. Under one of our stock-based compensation plans, we have the option to satisfy the delivery of shares upon vesting of the awards by purchasing subordinate voting shares in the open market or by settling such awards in cash. Under our other stock-based compensation plan, we may (at the time of grant) authorize the grantee to settle awards in either cash or subordinate voting shares (absent such permitted election, grants will be settled in subordinate voting shares, which we may purchase in the open market or issue from treasury, subject to certain limits). From time-to-time, we pay cash for the purchase by a broker of subordinate voting shares in the open market to satisfy the delivery of shares upon vesting of awards. For accounting purposes, we classify these shares as treasury stock until they are delivered pursuant to the plans. During 2016, we paid $18.2 (including transaction fees) for a broker's purchase of 1.6 million subordinate voting shares in the open market (under the 2016 NCIB) for awards under our stock-based compensation plans. During 2015, we paid $28.9 (including transaction fees) for a broker's purchase of 2.5 million subordinate voting shares in the open market (outside of any NCIB period) for awards under our stock-based compensation plans. At December 31, 2016, 1.4 million subordinate voting shares were held for this purpose, having a value of $15.3 (December 31, 2015 — 2.8 million subordinate voting shares with a value of $31.4).

At December 31, 2016, 1.5 million (December 31, 2015 — 1.3 million) deferred share units (DSUs) granted to members of our Board of Directors were outstanding.

For the fourth quarter and full year 2016, we recorded aggregate employee stock-based compensation expense (excluding deferred share unit (DSU) expense) through cost of sales and SG&A of $10.4 and $33.0, respectively (fourth quarter and full year 2015 — $10.8 and $37.6, respectively), and DSU expense (recorded through SG&A) of $0.6 and $2.1, respectively (fourth quarter and full year 2015 — $0.4 and $1.9, respectively). Employee stock-based compensation expense varies from period-to-period. The portion of such expense that relates to a non-market performance condition varies depending on the level of achievement of pre-determined financial targets.

During the fourth quarter and full year 2016, we received cash proceeds of $0.8 and $4.1, respectively (fourth quarter and full year 2015 — $0.8 and $3.9, respectively) relating to the exercise of vested employee stock options.

## 10. PENSION AND NON-PENSION POST-EMPLOYMENT BENEFIT PLANS

We provide pension and non-pension post-employment defined benefit plans for our employees. Our obligations are determined based on actuarial valuations. We recognize actuarial gains or losses arising from pension and non-pension post-employment defined benefit plans in other comprehensive income (loss) and we subsequently reclassify the amounts to deficit. For 2016, we recognized $17.1 of net actuarial gains, net of tax (2015 — $7.0 of net actuarial loss, net of tax). The net actuarial gains for 2016 arose primarily from better than expected inflationary impacts, as well as changes in demographic assumptions of our U.K. pension plan. We used a measurement date of December 31, 2016 for the accounting valuation of our pension and non-pension post-employment defined benefit plans.

## 11. OTHER CHARGES

| | Three months ended December 31 | | Year ended December 31 | |
|---|---|---|---|---|
| | 2015 | 2016 | 2015 | 2016 |
| Restructuring (a) | $ 2.1 | $ 24.4 | $ 23.9 | $ 31.9 |
| Asset impairment (b) | 12.2 | — | 12.2 | — |
| Pension obligation settlement adjustment | — | — | (0.3) | — |
| Other (c) | — | 1.4 | — | (6.4) |
| | $ 14.3 | $ 25.8 | $ 35.8 | $ 25.5 |

*(a) Restructuring:*

We perform ongoing evaluations of our business, operational efficiency and cost structure, and implement restructuring actions as we deem necessary. In connection therewith, we recorded restructuring charges of $24.4 during the fourth quarter of 2016 consisting of employee termination costs resulting from changes to our operating model, and charges (including employee termination costs) related to our decision to exit the solar panel manufacturing business.

Our restructuring charges for the fourth quarter of 2016 consisted of cash charges of $5.4, primarily for employee termination costs relating to our Global Business Services and Organizational Design initiatives, and the closure of our solar panel manufacturing operations, and non-cash charges of $19.0, to write down our solar panel manufacturing equipment at our two solar locations to recoverable amounts. As we intend to sell this equipment, the recoverable amounts were based on their estimated fair values less costs to sell. We estimated these values based on external inputs, including recent market transactions and third-party estimates. We reduced the carrying value of our solar panel manufacturing equipment to these estimated fair values less costs to sell at the end of 2016. However, the recoverable amounts are subject to adjustment based on the actual results of our sales process. In addition, a substantial portion of this equipment is subject to finance leases. We intend to terminate these leases upon disposition of the equipment thereunder and settle our remaining lease obligations (which as of December 31, 2016 were $15.3) in 2017. Our restructuring charges of $31.9 for the full year 2016 consisted of cash charges of $10.7, primarily for employee termination costs including at our solar panel manufacturing operations and other exited operations, and non-cash charges of $21.2, to write down certain plant assets and equipment to recoverable amounts, including $19.0 related to our solar panel manufacturing business at our two locations. We recorded restructuring charges of $2.1 and $23.9, respectively, for the fourth quarter and full year 2015. Our restructuring charges for the fourth quarter of 2015 consisted of cash charges primarily for employee termination costs. Our restructuring charges for the full year 2015 consisted of cash charges of $19.5, primarily for employee termination costs at various sites, including headcount reductions in certain under-utilized manufacturing sites in higher cost locations, and non-cash charges of $4.4, primarily to write down certain equipment to recoverable amounts. These full year 2015 charges also included costs associated with the consolidation of two of our semiconductor sites in the second quarter of 2015, to reduce the cost structure and improve the margin performance of that business. Our restructuring provision at December 31, 2016 was $6.6 (December 31, 2015 — $10.7) comprised primarily of employee termination costs.

The recognition of restructuring charges requires us to make certain judgments and estimates regarding the nature, timing and amounts associated with our restructuring actions. Our major assumptions include the number of employees to be terminated and the timing of such terminations, the measurement of termination costs, the timing and amount of lease obligations and any sublease recoveries from exited sites, and the timing of disposition and estimated fair values of assets available for sale, as applicable. We develop detailed plans and record termination costs for employees informed of their termination. For leased facilities that we intend to exit, the lease obligation costs represent future contractual lease payments and cancellation fees, if any, less estimated sublease recoveries. We may engage independent brokers to determine the estimated fair values less costs to sell for assets we no longer use and which are available for sale. We recognize an impairment loss for assets whose carrying amount exceeds their respective fair values less costs to sell as determined by such independent brokers. We also record adjustments to reflect actual proceeds received upon the disposition of these assets. At the end of each reporting period, we evaluate the appropriateness of our restructuring charges and balances. Further adjustments may be required to reflect actual experience or changes in estimates.

*(b) Annual impairment assessment:*

We conduct our annual impairment assessment of goodwill, intangible assets and property, plant and equipment in the fourth quarter of each year (which corresponds to our annual planning cycle), and whenever events or changes in circumstances indicate that the carrying amount of an asset, CGU or a group of CGUs may not be recoverable (triggering events). We recognize an impairment loss when the carrying amount of an asset, CGU or a group of CGUs exceeds its recoverable amount, which is measured as the greater of its value-in-use and its fair value less costs to sell. Prior to conducting our 2016 annual impairment assessment, we did not identify any triggering event during the course of 2016 indicating that the carrying amount of our assets or CGUs may not be recoverable, other than our decision in the fourth quarter of 2016 to exit the solar panel manufacturing business. In connection therewith, we recorded an impairment loss (as restructuring charges) on our solar panel manufacturing equipment in the fourth quarter of 2016 (see note 11(a)). We reduced the carrying value of our solar panel manufacturing equipment to its estimated fair value less costs to sell.

For our 2016 annual impairment assessment of goodwill, intangible assets and property, plant and equipment, other than the impairment described above, we used cash flow projections based primarily on our plan for 2017 and, to a lesser extent, on our three-year strategic plan and other financial projections. Our plan for 2017 is primarily based on financial projections submitted by our subsidiaries in the fourth quarter of 2016, together with inputs from our customer teams, and is subjected to in-depth reviews performed by various levels of management as part of our annual planning cycle. The plan for 2017 was approved by management and presented to our Board of Directors in December 2016.

In the fourth quarter of 2016, we performed our annual impairment assessment of goodwill, intangible assets and property, plant and equipment and determined that, other than the write down of our solar panel manufacturing equipment discussed above, there was no impairment as the recoverable amount of our assets and CGUs exceeded their respective carrying values.

In the fourth quarter of 2015, we performed our annual impairment assessment of goodwill, intangible assets and property, plant and equipment. We recorded non-cash impairment charges totaling $12.2, comprised of $6.5 and $5.7, against the property, plant and equipment of our CGUs in Japan and Spain, respectively. Such charges were primarily due to the reduction of our long-term cash flows projections for these CGUs as a result of reduced customer demand and challenging market conditions that we were experiencing in these CGUs at that time, and our assessment of the continued negative impact of these factors on the future profitability of these two CGUs. After recording the 2015 impairment charges, the carrying value of the property, plant and equipment held by each such CGU was reduced to approximate the fair value of its real property at the end of 2015.

We determined the recoverable amount of our CGUs as the greater of its expected value-in-use and its fair value less costs to sell. The process of determining the recoverable amount of a CGU is subjective and requires management to exercise significant judgment in estimating future growth, profitability, and discount rates, among other factors. The assumptions used in our 2016 annual impairment assessment were determined based on past experiences adjusted for expected changes in future conditions. Where applicable, we engaged independent brokers to obtain market prices to estimate our real property and other asset values. For our 2016 assessment, we used cash flow projections ranging from 1 to 7 years (2015 — 3 to 10 years; 2014 — 2 to 9 years) for our CGUs, in line with the remaining useful lives of the CGUs' essential assets. We generally used our weighted-average cost of capital of approximately 10% (2015 — approximately 8%; 2014 — approximately 10%) to discount our cash flows. For our semiconductor CGU, however, we applied a discount rate of 17% in 2014 through 2016 reflecting the higher risk and continued volatilities inherent with these cash flows, despite the new business awarded to this CGU in the past few years.

As part of our annual impairment assessment of goodwill, we also perform sensitivity analyses for the relevant CGUs in order to identify the impact of changes in key assumptions, including projected growth rates, profitability, and discount rates. Our goodwill balance at December 31, 2016 of $23.2 was comprised of $19.5 (December 31, 2015 — $19.5) attributable to our semiconductor CGU and $3.7 attributable to our Karel acquisition. See note 4. For purposes of our 2016 impairment assessment of our semiconductor CGU, we assumed future revenue growth at an average compound annual growth rate of 7% over a 7-year period (2015 — 9% over an 8-year period), representing the remaining life of the CGU's most significant customer contract. We believe that this growth rate is supported by the level of new business awarded in recent years, the expectation of future new business awards, and anticipated overall demand improvement in the semiconductor market based on certain market trend analyses published by external sources. We also assumed that the average annual margins for this CGU over the projection period will be slightly above our overall margin performance for the Company in 2016, consistent with the average annual margins we assumed for our 2015

impairment analysis. For our 2016 annual impairment analysis, we did not identify any key assumptions where a reasonably possible change would result in material impairments to our semiconductor CGU.

Impairment assessments inherently involve judgment as to assumptions about expected future cash flows and the impact of market conditions on those assumptions. Future events and changing market conditions may impact our assumptions as to prices, costs or other factors that may result in changes in our estimates of future cash flows. Failure to realize the assumed revenues at an appropriate profit margin or failure to improve the financial results of a CGU could result in impairment losses in such CGU in future periods.

*(c) Other:*

During the fourth quarter of 2016, we recorded integration and transaction costs totaling $1.4 related to the acquisition of Karel. See note 4. During the full year 2016, we received recoveries of damages of $12.0 in connection with the settlement of class action lawsuits in which we were a plaintiff, related to certain purchases we made in prior periods. These recoveries were offset in part by the cost to settle an unrelated legal matter during 2016.

## 12. INCOME TAXES

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

Our net income tax expense of $8.4 for the fourth quarter of 2016 was favorably impacted by the reversal of provisions previously recorded for tax uncertainties related to the final reassessments and settlement of tax accounts in connection with the resolution of a transfer pricing matter for one of our Canadian subsidiaries. In connection therewith, we recorded an income tax recovery of $8 million Canadian dollars (approximately $6 at the exchange rate at the time of recording) during the fourth quarter of 2016, as well as refund interest income of approximately $8 (see note 14 below for further details). Our income tax expense for the fourth quarter of 2016 was also favorably impacted by a deferred tax recovery of $3.8 related to a change in the recognition of the deferred tax assets in one of our U.S. subsidiaries. Our income tax expense for the fourth quarter of 2016 was negatively impacted by taxable foreign exchange impacts of $8.6 resulting from the weakening of the Malaysian ringgit and the Chinese renminbi relative to the U.S. dollar, our functional currency (Currency Tax Expense).

Our net income tax expense of $24.7 for the full year 2016 was favorably impacted by the reversal of provisions previously recorded for tax uncertainties related to the resolution of a transfer pricing matter for one of our Canadian subsidiaries. In connection therewith, we recorded aggregate income tax recoveries of $45 million Canadian dollars (approximately $34 at the exchange rates at the time of recording), as well as aggregate refund interest income of approximately $14.3 (see note 14 below for further details). Our net income tax expense for the full year 2016 was negatively impacted by withholding taxes of $1.5 pertaining to the repatriation of $50.0 from a U.S. subsidiary and deferred tax expense of $8.0 related to taxable temporary differences associated with the anticipated repatriation of undistributed earnings from certain of our Chinese subsidiaries. Our net income tax expense for the full year 2016 was also negatively impacted by a Currency Tax Expense of $7.3 (full year 2015 — $12.2).

See note 14 regarding income tax settlements and contingencies.

## 13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Our financial assets are comprised primarily of cash and cash equivalents, accounts receivable, outstanding cash advances receivable and derivatives used for hedging purposes. Our financial liabilities are comprised primarily of accounts payable, certain accrued and other liabilities and provisions, the Term Loan, borrowings under the Revolving Facility, and derivatives. We record the majority of our financial liabilities at amortized cost except for derivative liabilities, which we measure at fair value. We classify our term deposits as held-to-maturity. We record our short-term investments in money market funds at fair value, with changes recognized in our consolidated statement of operations. The carrying value of the Term Loan approximates its fair value as it bears

interest at a variable market rate. The carrying value of the outstanding cash advances receivable from the Solar Supplier approximates their fair value due to their relatively short term to maturity. We classify the financial assets and liabilities that we measure at fair value based on the inputs used to determine fair value at the measurement date. See note 20 of our 2015 annual audited consolidated financial statements for details of the input levels used and our fair value hierarchy at December 31, 2015. There have been no significant changes to the source of our inputs since December 31, 2015.

Cash and cash equivalents are comprised of the following:

| | December 31 2015 | December 31 2016 |
|---|---|---|
| Cash | $ 476.1 | $ 463.4 |
| Cash equivalents | 69.2 | 93.8 |
| | $ 545.3 | $ 557.2 |

Our current portfolio of cash equivalents consist of bank deposits. The majority of our cash and cash equivalents is held with financial institutions each of which had at December 31, 2016 a Standard and Poor's short-term rating of A-1 or above.

***Interest rate risk:***

Borrowings under our credit facility bear interest at specified rates, plus specified margins. See note 8. Our borrowings under this facility, which at December 31, 2016 totaled $227.5 (December 31, 2015 — $262.5), expose us to interest rate risk due to potential increases to the specified rates and margins.

***Currency risk:***

Due to the global nature of our operations, we are exposed to exchange rate fluctuations on our financial instruments denominated in various currencies. The majority of our currency risk is driven by operational costs, including income tax expense, incurred in local currencies by our subsidiaries. As part of our risk management program, we attempt to mitigate currency risk through a hedging program using forecasts of our anticipated future cash flows and balance sheet exposures denominated in foreign currencies. We enter into foreign exchange forward contracts, generally for periods up to 12 months, to lock in the exchange rates for future foreign currency transactions, which is intended to reduce the variability of our operating costs and future cash flows denominated in local currencies. While these contracts are intended to reduce the effects of fluctuations in foreign currency exchange rates, our hedging strategy does not mitigate the longer-term impacts of changes to foreign exchange rates. Although our functional currency is the U.S. dollar, currency risk on our income tax expense arises as we are generally required to file our tax returns in the local currency for each particular country in which we have operations. While our hedging program is designed to mitigate currency risk vis-à-vis the U.S. dollar, we remain subject to taxable foreign exchange impacts in our translated local currency financial results relevant for tax reporting purposes.

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

| | Canadian dollar | Chinese renminbi | Thai baht |
|---|---|---|---|
| Cash and cash equivalents | $ 5.1 | $ 12.4 | $ 1.4 |
| Accounts receivable and other financial assets | 9.6 | 18.2 | 1.5 |
| Accounts payable and certain accrued and other liabilities and provisions | (49.0) | (43.9) | (15.3) |
| Net financial assets (liabilities) | $ (34.3) | $ (13.3) | $ (12.4) |

*Foreign currency risk sensitivity analysis:*

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

| | Canadian dollar | Chinese renminbi | Thai baht |
|---|---|---|---|
| | | Increase (decrease) | |
| 1% Strengthening | | | |
| Net earnings | $ 0.9 | $ (0.3) | $ 0.1 |
| Other comprehensive income | 1.1 | 0.6 | 0.7 |
| 1% Weakening | | | |
| Net earnings | (0.9) | 0.3 | (0.1) |
| Other comprehensive income | (1.0) | (0.6) | (0.7) |

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

| Currency | Contract amount in U.S. dollars | Weighted average exchange rate in U.S. dollars | Maximum period in months | Fair value gain (loss) |
|---|---|---|---|---|
| Canadian dollar | $ 232.5 | $ 0.75 | 12 | $ (3.1) |
| Thai baht | 95.6 | 0.03 | 12 | (1.9) |
| Malaysian ringgit | 46.8 | 0.24 | 11 | (2.9) |
| Mexican peso | 23.7 | 0.05 | 12 | (1.3) |
| British pound | 119.4 | 1.26 | 4 | 2.7 |
| Chinese renminbi | 77.8 | 0.15 | 12 | (1.9) |
| Euro | 52.7 | 1.09 | 12 | 0.9 |
| Romanian leu | 18.5 | 0.25 | 12 | (1.1) |
| Singapore dollar | 24.3 | 0.72 | 12 | (1.0) |
| Other | 5.1 | | | — |
| Total | $ 696.4 | | | $ (9.6) |

At December 31, 2016, the fair value of the outstanding contracts was a net unrealized loss of $9.6 (December 31, 2015 — net unrealized loss of $24.0). Changes in the fair value of hedging derivatives to which we apply cash flow hedge accounting, to the extent effective, are deferred in other comprehensive income (loss) until the expenses or items being hedged are recognized in our consolidated statement of operations. Any hedge ineffectiveness, which at December 31, 2016 was not significant, is recognized immediately in our consolidated statement of operations. At December 31, 2016, we recorded $5.9 of derivative assets in other current assets, and $15.5 of derivative liabilities in accrued and other current liabilities (December 31, 2015 — $2.8 of derivative assets in other current assets and $26.8 of derivative liabilities in accrued and other current and other non-current liabilities). The unrealized gains or losses are a result of fluctuations in foreign exchange rates between the date the currency forward contracts were entered into and the valuation date at period end.

## 14. CONTINGENCIES

***Litigation***

In the normal course of our operations, we may be subject to lawsuits, investigations and other claims, including environmental, labor, product, customer disputes and other matters. Management believes that adequate provisions have been recorded in the accounts where required. Although it is not always possible to estimate the extent of potential costs, if any, management believes

that the ultimate resolution of all such pending matters will not have a material adverse impact on our financial performance, financial position or liquidity.

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

***Income taxes***

We are subject to tax audits globally by various tax authorities of historical information, which could result in additional tax expense in future periods relating to prior results. Reviews by tax authorities generally focus on, but are not limited to, the validity of our inter-company transactions, including financing and transfer pricing policies which generally involve subjective areas of taxation and a significant degree of judgment. If any of these tax authorities are successful with their challenges, our income tax expense may be adversely affected and we could also be subject to interest and penalty charges.

As previously disclosed, Canadian tax authorities had taken the position that the income reported by one of our Canadian subsidiaries should have been materially higher in 2001 and 2002 and materially lower in 2003 and 2004 as a result of certain inter-company transactions (Transfer Pricing Matters). In connection therewith, such authorities reassessed tax amounts owed by us, and also imposed limitations on benefits associated with favorable adjustments (Benefits Limitation). We had appealed this decision and sought resolution of the Transfer Pricing Matters from the relevant Competent Authorities under applicable treaty principles. In the third quarter of 2016, the Canadian and U.S. tax authorities informed us that a mutual conclusion had been reached with respect to the Transfer Pricing Matters, and the Canadian tax authorities withdrew their position, reversing the adjustments for the years 2001 through 2004. The Canadian tax authorities also reversed the adverse adjustments related to the Benefits Limitation. In connection therewith, in the third quarter of 2016, we recorded a current tax recovery of $37 million Canadian dollars (approximately $29 at the exchange rate at the time of recording) to reverse previously recorded provisions for tax uncertainties related to transfer pricing, as well as refund interest income of $8 million Canadian dollars (approximately $6 at the exchange rate at the time of recording) for cash held on account with the tax authorities in connection with the Transfer Pricing Matters. With the receipt of the final reassessments and the settlement of tax accounts in connection with the Benefits Limitation and Transfer Pricing Matters in the fourth quarter of 2016, we recorded an additional income tax recovery of $8 million Canadian dollars (approximately $6 at the exchange rate at the time of recording) as well as refund interest income of approximately $11 million Canadian dollars (approximately $8 at the exchange rate at the time of recording).

Canadian tax authorities had also taken the position that certain interest amounts deducted by one of our Canadian entities in 2002 through 2004 on historical debt instruments should be re-characterized as capital losses (Canadian Interest Matter), a position which we had previously appealed. In the fourth quarter of 2016, the Canadian tax authorities issued revised reassessments, which primarily had the effect of reducing unrecognized gross deferred tax assets and virtually eliminating the net income tax expense. As the impact of the revised reassessment was nominal, we accepted the revised reassessment and the matter was closed in the fourth quarter of 2016.

As a result of the resolution of the Transfer Pricing Matters, Benefits Limitation and the Canadian Interest Matter, we received $70 million Canadian dollars (approximately $52 at year-end exchange rates) during the fourth quarter of 2016, representing the refund of cash previously deposited on account with the Canadian tax authorities and refund interest income as described above. We also received $6 million Canadian dollars (approximately $4 at year-end exchange rates) in January 2017. The aggregate amount of cash refunds received represents the return of all deposits and refund interest in respect of the Canadian tax matters.

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