

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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

For the month of April, 2021

001-14832
(Commission File Number)

CELESTICA INC.

(Translation of registrant's name into English)

5140 Yonge Street, Suite 1900
Toronto, Ontario
Canada M2N 6L7
(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 x

Form 40-F o

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): o

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): o

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Commission, and deemed to be a part thereof, from the date on which this report is furnished, to the extent not superseded by documents or reports subsequently filed or furnished by Celestica Inc. under the U.S. Securities Act of 1933, as amended, or the U.S. Securities Exchange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

Furnished Herewith (and incorporated by reference herein)

Exhibit No. Description

99.1	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations for the three months ended March 31, 2021</u>
99.2	<u>Celestica Inc.'s Unaudited Condensed Consolidated Financial Statements for the three months ended March 31, 2021 and accompanying notes thereto</u>
99.3	<u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002</u>
99.4	<u>Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002</u>
99.5	<u>Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>

SIGNATURES

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

CELESTICA INC.

Date: April 29, 2021

By: /s/ Robert Ellis
Robert Ellis
Chief Legal Officer and Corporate Secretary

EXHIBIT INDEX

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CELESTICA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2021

The following Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with our March 31, 2021 unaudited interim condensed consolidated financial statements (Q1 2021 Interim Financial Statements), and our Annual Report on Form 20-F for the year ended December 31, 2020 (2020 20-F), including our 2020 audited consolidated financial statements (2020 AFS) contained therein, which we prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Unless otherwise noted, all dollar amounts are expressed in United States (U.S.) dollars. The information in this discussion is provided as of April 28, 2021 unless we indicate otherwise.

Certain statements contained in this MD&A constitute forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended (U.S. Exchange Act), and contain forward-looking information within the meaning of Canadian securities laws. Such forward-looking information includes, without limitation, statements related to: anticipated and potential adverse impacts resulting from coronavirus disease 2019 and related mutations (COVID-19); our priorities, intended areas of focus, targets, objectives, and goals; trends in the electronics manufacturing services (EMS) industry and our segments (including the components thereof), and their anticipated impact; the anticipated impact of specified adverse market conditions in each of our segments (and/or component businesses) and near term expectations (positive and negative); potential future restructuring actions; our anticipated financial and/or operating results; our strategies; the impact of program wins, transfers, losses or disengagements; anticipated expenses, capital expenditures and other working capital requirements and contractual obligations; our intended repatriation of certain undistributed earnings from foreign subsidiaries; the potential impact of tax and litigation outcomes; our ability to use certain tax losses; intended investments in our business; the potential impact of the pace of technological changes, customer outsourcing, program transfers, and the global economic environment; the intended method of funding subordinate voting share (SVS) repurchases and our restructuring provision; materials constraints; the lease for our temporary and new corporate headquarters; Toronto transition costs; the impact of our outstanding indebtedness; liquidity and the sufficiency of our capital resources; our financial statement estimates and assumptions; our compliance with covenants under our credit facility; interest rates; the potential adverse impacts of events outside of our control, including, among others: Britain's departure from the European Union (Brexit), policies or legislation instituted or proposed by the former or new administration in the U.S. (including tax reform), recent tariffs on items imported into the U.S. and related countermeasures, and/or the impact of, in addition to COVID-19, other widespread illness or disease (External Events); mandatory prepayments under our credit facility; income tax incentives; the anticipated impact of COVID-19-related tax relief measures, accounts payable cash flow levels; and accounts receivable sales. Such forward-looking statements may, without limitation, be preceded by, followed by, or include words such as "believes," "expects," "anticipates," "estimates," "intends," "plans," "continues," "project," "potential," "possible," "contemplate," "seek," or similar expressions, or may employ such future or conditional verbs as "may," "might," "will," "could," "should," or "would," or may otherwise be indicated as forward-looking statements by grammatical construction, phrasing or context. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the U.S. Private Securities Litigation Reform Act of 1995 and applicable Canadian securities laws.

Forward-looking statements are provided to assist 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 those expressed or implied in such forward-looking statements, including, among others, risks related to: customer and segment concentration; challenges of replacing revenue from completed, lost or non-renewed programs or customer disengagements; our customers' ability to compete and succeed using our products and services; price, margin pressures, and other competitive factors and adverse market conditions affecting, and the highly competitive nature of, the EMS industry in general and our segments in particular (including the risk that anticipated market improvements do not materialize); changes in our mix of customers and/or the types of products or services we provide, including negative impacts of higher concentrations of lower margin programs; the cyclical and volatile nature of our semiconductor business; delays in the delivery and availability of components, services and materials; managing changes in customer demand; rapidly evolving and changing technologies, and changes in our customers' business or outsourcing strategies; the expansion or consolidation of our operations; volatility in the commercial aerospace industry; the inability to maintain adequate utilization of our workforce; the nature of the display market; defects or deficiencies in our products, services or designs; integrating and

achieving the anticipated benefits from acquisitions and "operate-in-place" arrangements; compliance with customer-driven policies and standards, and third-party certification requirements; challenges associated with new customers or programs, or the provision of new services; the impact of our restructuring actions and/or productivity initiatives, including a failure to achieve anticipated benefits from actions associated with our Connectivity & Cloud Solutions segment portfolio review (CCS Review), including our disengagement from programs with Cisco Systems, Inc. (Cisco Disengagement); negative impacts on our business resulting from outstanding third-party indebtedness; the incurrence of future restructuring charges, impairment charges, other write-downs of assets or operating losses; managing our business during uncertain market, political and economic conditions, including among others, geopolitical and other risks associated with our international operations, including military actions, protectionism and reactive countermeasures, economic or other sanctions or trade barriers; disruptions to our operations, or those of our customers, component suppliers and/or logistics partners, including as a result of External Events; the scope, duration and impact of the COVID-19 pandemic, including its severe, prolonged and continuing adverse impact on the commercial aerospace industry; changes to our operating model; changing commodity, materials and component costs as well as labor costs and conditions; execution and/or quality issues (including our ability to successfully resolve these challenges); non-performance by counterparties; maintaining sufficient financial resources to fund currently anticipated financial actions and obligations and to pursue desirable business opportunities; negative impacts on our business resulting from any significant uses of cash, securities issuances, and/or additional increases in third-party indebtedness (including as a result of an inability to sell desired amounts under our uncommitted accounts receivable sales program); foreign currency volatility; our global operations and supply chain; competitive bid selection processes; customer relationships with emerging companies; recruiting or retaining skilled talent; our dependence on industries affected by rapid technological change; our ability to adequately protect intellectual property and confidential information; increasing taxes, tax audits, and challenges of defending our tax positions; obtaining, renewing or meeting the conditions of tax incentives and credits; computer viruses, malware, hacking attempts or outages that may disrupt our operations; the inability to prevent or detect all errors or fraud; the variability of revenue and operating results; unanticipated disruptions to our cash flows; compliance with applicable laws, regulations, and government subsidies, grants or credits; the management of our information technology systems; our pension and other benefit plan obligations; changes in accounting judgments, estimates and assumptions; our ability to maintain compliance with applicable credit facility covenants; interest rate fluctuations and changes to LIBOR; deterioration in financial markets or the macro-economic environment; our credit rating; the interest of our controlling shareholder; current or future litigation, governmental actions, and/or changes in legislation or accounting standards; negative publicity; and our ability to achieve our environmental, social and governance (ESG) initiative goals, including with respect to climate change. The foregoing and other material risks and uncertainties are discussed in our public filings at www.sedar.com and www.sec.gov, including in this MD&A, our most recent Annual Report on Form 20-F filed with, and subsequent reports on Form 6-K furnished to, the U.S. Securities and Exchange Commission (SEC), and as applicable, the Canadian Securities Administrators.

Our forward-looking statements are based on various assumptions, many of which involve factors that are beyond our control. Our material assumptions include those related to the following: the scope and duration of the COVID-19 pandemic and its impact on our sites, customers and supply chain; fluctuation of production schedules from our customers in terms of volume and mix of products or services; the timing and execution of, and investments associated with, ramping new business; the success of our customers' products; our ability to retain programs and customers; the stability of general economic and market conditions, and currency exchange rates; supplier performance, pricing and terms; compliance by third parties with their contractual obligations; the costs and availability of components, materials, services, equipment, labor, energy and transportation; that our customers will retain liability for recently-imposed tariffs and countermeasures; global tax legislation changes; our ability to keep pace with rapidly changing technological developments; the timing, execution and effect of restructuring actions; the successful resolution of quality issues that arise from time to time; our having sufficient financial resources to fund currently anticipated financial actions and obligations and to pursue desirable business opportunities; the components of our leverage ratio (as defined in our credit facility); our ability to successfully diversify our customer base and develop new capabilities; the availability of cash resources for, and the permissibility under our credit facility of, repurchases of outstanding SVS under our normal course issuer bid; the impact of actions associated with the CCS Review, including the Cisco Disengagement, on our business, and that we achieve the anticipated benefits therefrom; anticipated demand strength in certain of our businesses; and anticipated demand weakness in, and/or the impact of anticipated adverse market conditions on, certain of our businesses. Although management believes its assumptions to be reasonable under the current circumstances, they may prove to be inaccurate, which could cause actual results to differ materially (and adversely) from those that would have been achieved had such assumptions been accurate. Forward-looking statements speak only as of the date on which they are made, and we disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

Overview

Celestica's business:

We deliver innovative supply chain solutions globally to customers in two operating and reportable segments: Advanced Technology Solutions (ATS) and Connectivity & Cloud Solutions (CCS). Our ATS segment consists of our ATS end market, and is comprised of our Aerospace and Defense (A&D), Industrial, Energy, HealthTech, and Capital Equipment businesses. Our Capital Equipment business is comprised of our semiconductor, display, and power & signal distribution equipment businesses. Our CCS segment consists of our Communications and Enterprise end markets. Our Enterprise end market is comprised of our servers and storage businesses. Information regarding our reportable segments is included in note 3 to the Q1 2021 Interim Financial Statements, filed at www.sedar.com and furnished with this MD&A on Form 6-K at www.sec.gov, and in note 26 to the 2020 AFS.

Our customers include original equipment manufacturers (OEMs), cloud-based and other service providers, including hyperscalers, and other companies in a wide range of industries. Our global headquarters is located in Toronto, Ontario, Canada. We operate a network of sites and centers of excellence strategically located in North America, Europe and Asia, with specialized end-to-end supply chain capabilities tailored to meet specific market and customer product lifecycle requirements. We offer a comprehensive range of product manufacturing and related supply chain services to customers in both of our segments, including design and development, new product introduction, engineering services, component sourcing, electronics manufacturing and assembly, testing, complex mechanical assembly, systems integration, precision machining, order fulfillment, logistics, asset management, product licensing, and after-market repair and return services. Our Hardware Platform Solutions (HPS) offering includes the development of hardware and design solutions in collaboration with customers, hardware platform solutions that can be used as-is or customized for specific applications, and management of program design and aspects of the supply chain, manufacturing, and after-market support.

Products and services in our ATS segment are extensive and are often more regulated than in our CCS segment, and can include the following: government-certified and highly-specialized manufacturing, electronic and enclosure-related services for A&D customers; high-precision semiconductor and display equipment and integrated subsystems; a wide range of industrial automation, controls, test and measurement devices; advanced solutions for surgical instruments, diagnostic imaging and patient monitoring; and efficiency products to help manage and monitor the energy and power industries. Our ATS segment businesses typically have higher margin profiles and margin volatility, higher working capital requirements, and longer product life cycles than the businesses in our CCS segment. Products and services in our CCS segment consist predominantly of enterprise-level data communications and information processing infrastructure products, and can include routers, switches, data center interconnects, servers and storage-related products used by a wide range of businesses and cloud-based and other service providers to manage digital connectivity, commerce and social media applications. Our CCS segment businesses typically have lower margin profiles, lower working capital requirements, and higher volumes than the businesses in our ATS segment. Within our CCS segment, however, our HPS business (which includes firmware/software enablement across all primary IT infrastructure data center technologies and aftermarket services) typically has a higher margin profile than our traditional CCS businesses, but also requires specific investments (including research and development (R&D)) and higher working capital. Our CCS segment generally experiences a high degree of volatility in terms of revenue and product/service mix and as a result, our CCS segment margin can fluctuate from period to period. In recent periods, we have experienced an increasing shift in the mix of our programs towards cloud-based and other service providers, which are cyclically different from our traditional OEM customers, creating more volatility and unpredictability in our revenue patterns, and additional challenges with respect to the management of our working capital requirements.

Overview of business environment:

The EMS industry is highly competitive. Demand can be volatile from period to period, and aggressive pricing is a common business dynamic, particularly in our Enterprise, Industrial and A&D businesses. Customers may shift production between EMS providers for a number of reasons, including changes in demand for their products, pricing concessions, more favorable terms and conditions, execution or quality issues, their preference or need to modify or consolidate their supply chain capacity or change their supply chain partners, tax benefits, new trade policies or legislation, or consolidation among customers. Customers may also change the amount of business they outsource, or the concentration or location of their EMS suppliers. As a result, customer and segment revenue and mix, as well as overall profitability, are difficult to forecast. The loss of one or more major customers could have a material adverse effect on our operating results, financial position and cash flows.

Managing our operations is complex, and our financial results often fluctuate, in each case as a result of, among other factors, product lifecycles in the markets we serve, production lead times required by our customers, rapid shifts in technology,

model obsolescence, commoditization of certain products, the emergence of new business models, shifting patterns of demand, the proliferation of software-defined technologies enabling the disaggregation of software and hardware, product oversupply, changing supply chains and customer supply chain requirements, and the build-up by customers of inventory buffers. For example, the shift from traditional network infrastructures to highly virtualized and cloud-based environments, and declines in end-market demand for proprietary systems in favor of open systems with standardized technologies in recent periods, have adversely impacted some of our traditional CCS segment customers, and favorably impacted our service provider customers and our HPS business. In addition, the aviation industry continued to experience significant demand softness in the first quarter of 2021 (Q1 2021) resulting from, among other things, the severe impact of COVID-19 (see below).

Capacity utilization, customer mix and the types of products and services we provide are important factors affecting our financial performance. The number of sites, the location of qualified personnel, the manufacturing capacity and network, and the mix of business through that capacity are vital considerations for EMS providers in terms of supporting their customers and generating appropriate returns. Because the EMS industry is working capital intensive, we believe that non-IFRS adjusted return on invested capital (ROIC), which is primarily based on non-IFRS operating earnings (each discussed in "Non-IFRS Financial Measures" below) and investments in working capital and equipment, is an important metric for measuring an EMS provider's financial performance.

External factors that may impact our business:

Recent (or additional) governmental actions related to increased tariffs and/or international trade agreements could increase the cost to our U.S. customers who use our non-U.S. manufacturing sites and components, and vice versa, which may materially and adversely impact demand for our services, our results of operations or our financial condition. Production from China has become less cost-competitive than other low-cost countries in recent periods. In connection therewith, we have transferred numerous customer programs, primarily located in China, to countries unaffected by these tariffs (including Thailand). However, as tariffs are typically borne by the customers, we anticipate further actions from non-China-based customers to exit China to avoid these added costs. We will continue to monitor the scope and duration of trade actions by the U.S. and other governments on our business.

Uncertainty in the global economy and financial markets may impact current and future demand for our customers' products and services, and consequently, our operations. We continue to monitor the dynamics and impacts of the global economic and financial environment and work to manage our priorities, costs and resources to anticipate and prepare for any changes we deem necessary. Other factors that could adversely impact our industry and business include supplier or customer financial difficulties, natural disasters and related disruptions, political instability, geopolitical dynamics, terrorism, armed conflict, labor or social unrest, criminal activity, unusually adverse weather conditions, disease or illness that affects local, national or international economies, and other risks present in the jurisdictions in which we, our customers, our suppliers, and/or our logistics partners operate. These types of events could disrupt operations at one or more of our sites or those of our customers, component suppliers and/or our logistics partners. These events could also lead to higher costs or supply shortages and may disrupt the delivery of components to us, or our ability to provide finished products or services to our customers, any of which could adversely affect our operating results. The COVID-19 pandemic has resulted in such disruptions, higher costs and supply shortages, and has had an adverse effect on our operating results. See "Recent Developments — COVID-19" in Item 5 of our 2020 20-F and "COVID-19 Update" below for a discussion of the impact and potential impact of COVID-19 on our business. In addition, uncertainties resulting from Brexit (given the lack of comparable precedent), policies or legislation instituted or proposed by the former or new administration in the U.S., including additional U.S. tax reform, and/or political tensions between the U.S. and other countries, may adversely affect our business, results of operations and financial condition.

See "*Our operations have been and could continue to be adversely affected by events outside our control*" and "*Policies or legislation instituted or proposed by the former or new U.S. administration could have a material adverse effect on our business, results of operations and financial condition*" in the Risk Factors section, and "External Factors that May Impact our Business" in Item 5, of our 2020 20-F for additional detail.

Recent Developments:

Segment Environment:

ATS Segment:

ATS segment revenue decreased 3% in Q1 2021 compared to the first quarter of 2020 (Q1 2020), as growth in our HealthTech and Capital Equipment businesses, driven by new program ramps and market share gains, were more than offset by adverse demand impacts related to COVID-19, specifically in our commercial aerospace and Industrial businesses. In addition to demand impacts, we had adverse revenue impacts of \$11 million resulting from COVID-19-related materials constraints across our ATS segment in Q1 2021 (Q4 2020 — \$8 million). The increase in ATS segment margin in Q1 2021 compared to Q1 2020 (4.0% compared to 2.7%) was primarily due to favorable mix, including new program ramps in our HealthTech business, as well as improved productivity. We continue to anticipate being in the ATS segment target margin range of 5% to 6% by the end of 2021, and we continue to expect ATS segment revenue to grow by 10% in 2021 as compared to 2020.

Revenue from our semiconductor Capital Equipment customers grew in Q1 2021 compared to Q1 2020, driven by strong demand, new program wins and market share gains. We expect demand in our semiconductor Capital Equipment business to remain strong in 2021. We anticipate demand growth to accelerate towards the end of 2021 and into 2022 in our display business.

Within A&D, we continued to experience demand softness in our commercial aerospace business. We have taken actions deemed necessary to adjust our cost base to better align with the current and anticipated demand levels in our A&D business, and continue to work with customers and suppliers to maximize our returns in the face of the challenges presented by the current market. While we do not expect our commercial aerospace business to return to pre-COVID levels in the near term, we do expect a modest sequential recovery in the second half of the year, driven by new program wins.

Demand in our Industrial business in Q1 2021 compared to Q1 2020 was adversely impacted by COVID-19, although demand has largely stabilized. We expect year-over-year revenue growth to resume in the second quarter of 2021 (Q2 2021).

Our HealthTech business continued to see strong growth, supported by the ramping of new program wins in Q1 2021, attributable in part to programs in support of the fight against COVID-19. We anticipate continued strength in demand in this business in 2021.

In general, we continue to pursue new customers and invest in our ATS segment to expand our market share, to diversify our end market mix, and to enhance and add new technologies and capabilities to our offerings.

CCS Segment:

The 9% decrease in CCS segment revenue in Q1 2021 compared to Q1 2020 was primarily due to the impact of our disengagement (Cisco Disengagement) from programs with Cisco Systems, Inc. (Cisco), which was completed at the end of 2020 as planned, as well as program-specific demand softness from certain storage customers in our Enterprise end market, partially offset by strong demand from service provider customers, including in our HPS business. Despite lower revenue levels, CCS segment margin improved to 3.1% in Q1 2021 compared to 3.0% in Q1 2020, primarily due to favorable mix. CCS segment margin is expected to be at the high end of our 2% to 3% target range, or slightly higher, for the full year 2021.

CCS segment revenue from programs with customers other than Cisco increased 16% in Q1 2021 compared to Q1 2020. Our HPS business experienced strong revenue growth in Q1 2021, increasing 46% (to \$200 million) compared to Q1 2020, driven by increased service provider demand, and accounted for approximately 16% of our total Q1 2021 revenue (Q1 2020 — 10%; fourth quarter of 2020 (Q4 2020) — 15%). Although we anticipate that total CCS segment revenue for 2021 will decline compared to 2020, we currently expect double-digit percentage revenue growth for our HPS business in 2021 compared to 2020, increased from our prior high single-digit percentage growth expectations.

Our Lifecycle Solutions portfolio (aggregate of ATS segment and HPS business) revenue increased 7% in Q1 2021 compared to the prior year period, and represented 59% of total revenue for Q1 2021 compared to 51% for Q1 2020. We currently anticipate double-digit percentage revenue growth for this group of businesses in 2021 compared to 2020, compared to our previous high-single digit percentage growth expectations.

Supply constraints:

Supply constraints continued to impact both of our segments, resulting in extended lead times for components, and delays in timing on certain projects. Predominately all of the \$12 million adverse revenue impact in Q1 2021 due to COVID-19-related component and materials constraints pertained to our ATS segment (see *ATS Segment* above). We expect materials constraints to continue for the remainder of 2021.

COVID-19 Update:

In addition to COVID-19-related demand impacts in several of our businesses, and adverse revenue impacts resulting from COVID-19-related materials constraints in Q1 2021 (see "Segment Environment" above), we estimate that aggregate COVID-19-related costs (COVID-19 Costs)¹ incurred during Q1 2021 were approximately \$6.5 million (Q1 2020 — approximately \$3 million). Adverse COVID-19 impacts were partially offset by the recognition in Q1 2021 of approximately \$4 million (Q1 2020 — nil) of COVID-19-related government subsidies, grants and/or credits (COVID Subsidies) and \$1 million (Q1 2020 — nil) of COVID-19-related customer recoveries (Customer Recoveries) (collectively with COVID Subsidies, COVID Recoveries). See note 11 to the Q1 2021 Interim Financial Statements for a description of COVID Subsidies.

Notwithstanding the persistence of COVID-19, we believe that our liquidity position remains strong, including \$449.4 million in cash and cash equivalents at March 31, 2021, and other than ordinary course letters of credit (L/Cs), an undrawn revolving credit facility. We also voluntarily repaid \$30.0 million of our long-term debt during Q1 2021, and determined that no triggering event had occurred that would require any interim asset impairment assessment. See "Liquidity and Capital Resources" below for further detail.

Future Uncertainties:

The pandemic has impacted our customers and has created (and may continue to create) unpredictable reductions or increases in demand for our services. In addition, the ability of our employees to work may be significantly impacted by individuals contracting or being exposed to COVID-19. While we are following the requirements of governmental authorities and taking preventative and protective measures to prioritize the safety of our employees, these measures may not be successful, and we may be required to temporarily close facilities or take other measures. If factory closures or further reductions in capacity utilization occur, we would incur additional inefficiencies and direct costs, as well as a loss of revenue. If our suppliers experience additional closures or reductions in their capacity utilization levels, we may have further difficulty sourcing materials necessary to fulfill production requirements. A material adverse effect on our employees, customers, suppliers and/or logistics providers could have a material adverse effect on us. For a discussion of other potential COVID-19-related impacts on our business, see Item 3(D), Key Information — Risk Factors, "*The effect of COVID-19 on our operations and the operations of our customers, suppliers and logistics providers has had, and may continue to have, a material and adverse impact on our financial condition and results of operations*" of our 2020 20-F.

The ultimate magnitude of the impact of the COVID-19 pandemic on our business will depend on future developments which cannot currently be predicted, including infection resurgences, government responses, the speed at which our suppliers and logistics providers can return to and/or maintain full production, the status of labor shortages and the impact of supplier prioritization of backlog. While we expect that our financial results for 2021 (and likely beyond) will continue to be adversely affected by COVID-19, we cannot currently estimate the overall severity or duration of the impact, which may be material. While we have been successful in largely mitigating the impact of COVID-19 on our productivity, and are currently operating at pre-COVID-19 production capacity, the continued spread, resurgence and mutation of the virus may make our mitigation efforts more challenging. Even after the COVID-19 pandemic has subsided, we may experience significant adverse impacts to our businesses as a result of its global economic impact, including any related recession, as well as lingering impacts on our suppliers, third-party service providers and/or customers (including movement of production in-country to decrease global exposures).

¹ COVID-19 Costs consist of both direct and indirect costs, including manufacturing inefficiencies related to lost revenue due to our inability to secure materials, idled labor costs, and incremental costs for labor, expedite fees and freight premiums, cleaning supplies, personal protective equipment, and IT-related services to support our work-from-home arrangements.

Restructuring Update:

We recorded \$5.8 million in restructuring charges during Q1 2021, consisting primarily of actions to adjust our cost base to address reduced levels of demand in certain of our businesses, including continued actions to right-size our commercial aerospace facilities.

SVS Repurchases:

As of March 31, 2021, up to 8.4 million SVS remain available for repurchase under our normal course issuer bid (NCIB), which expires in November 2021. As part of the NCIB process, we entered into an Automatic Share Purchase Plan (ASPP) in March 2021 with a broker, which under current instructions allows the broker to purchase, on our behalf (for cancellation under our current NCIB), including during any applicable trading blackout period, up to 100,000 SVS per day at specified prices through May 3, 2021. During Q1 2021, we paid \$5.3 million (including transaction fees) to repurchase and cancel 0.6 million SVS at a weighted average price of \$8.35 per share (including 0.01 million SVS repurchased under the March 2021 ASPP). At March 31, 2021, we recorded an accrual of \$18.1 million, representing the contractual maximum number of additional permitted SVS repurchases through May 3, 2021 (2.2 million SVS) pursuant to current instructions under the March 2021 ASPP. In Q1 2021, we also recorded a \$15.0 million reversal of a prior accrual for the contractual maximum number of permitted SVS repurchases as of December 31, 2020 under an ASPP executed in December 2020. No SVS repurchases were made under the December 2020 ASPP prior to its expiration in January 2021.

Operating Goals and Priorities:

Our current operating goals and priorities are set forth below. Management believes that each of these goals and priorities is reasonable.

Evolving our Revenue Portfolio — To evolve our revenue portfolio, we intend to continue to focus on: (i) realigning our portfolio towards more diversified revenue, (ii) driving sustainable profitable revenue growth, (iii) growing our ATS segment revenue organically by an average of 10% per year over the long term, (iv) supplementing our organic growth with disciplined and targeted acquisitions intended to expand capabilities, and (v) optimizing and reshaping our portfolio to drive more consistent returns and profitability.

Margins — With respect to margins, we intend to focus on: (i) achieving non-IFRS operating margin* in the target range of 3.75% to 4.5%; (ii) achieving ATS segment margin† in the target range of 5.0% to 6.0%; and (iii) maintaining CCS segment margin† in the target range of 2.0% to 3.0%. In order to achieve our non-IFRS operating margin* and ATS segment margin goals: (i) the current demand environment in the Capital Equipment business must return to levels prior to the recent downturn (which we currently expect by the end of 2021), and (ii) we must continue to successfully execute the ramping of new ATS segment programs. Because we cannot control market conditions, however, including the duration or impact of COVID-19 on our business, the timeline to achieve these goals, as well as our long-term ATS segment revenue growth rate objective, cannot be assured. To maintain our CCS segment margin in our 2.0% to 3.0% target range, we must (i) continue to achieve cost productivity improvements; (ii) secure additional, and execute on recently-acquired, business for our former Cisco factory, and (iii) continue to expand our portfolio in higher margin offerings (including HPS). See "Recent Developments" above.

Balanced Approach to Capital Allocation — In terms of capital allocation, we are focused on: (i) returning approximately 50% of non-IFRS free cash flow* to shareholders annually, on average and when permitted, over the long term, (ii) generally investing 1.5% to 2.0% of annual revenue in capital expenditures to support our organic growth, and (iii) identifying strategic acquisitions as part of a disciplined capital allocation framework. We are also focused on maintaining a strong balance sheet, as well as lowering outstanding borrowings.

The foregoing priorities and areas of intended focus constitute our objectives and goals, and are not intended to be projections or forecasts of future performance. Our future performance is subject to risks, uncertainties and other factors that could cause actual outcomes and results to differ materially from the goals and priorities described above.

* Operating margin and free cash flow are non-IFRS financial measures without standardized meanings and may not be comparable to similar measures presented by other companies. See "Non-IFRS Financial Measures" below for a discussion of these non-IFRS financial measures, and a reconciliation of our historical non-IFRS operating margin and non-IFRS free cash flow to the most directly comparable IFRS financial measures. We do not provide reconciliations for forward-looking non-IFRS financial measures, as we are unable to provide a meaningful or accurate calculation or estimation of reconciling items and the information is not available without unreasonable effort. This is due to the inherent difficulty of forecasting the timing or amount of various events that have not yet occurred, are out of our control and/or cannot be

reasonably predicted, and that would impact the most directly comparable forward-looking IFRS financial measure. For these same reasons, we are unable to address the probable significance of the unavailable information. Forward-looking non-IFRS financial measures may vary materially from the corresponding IFRS financial measures.

† Segment performance is evaluated based on segment revenue, segment income and segment margin (segment income as a percentage of segment revenue), each of which is defined in "Operating Results — Segment income and margin" below.

Our Strategy

We remain committed to making the investments we believe are required to support our long-term objectives and to create shareholder value, while simultaneously managing our costs and resources to maximize our efficiency and productivity. Our strategy has not changed from that set forth under the caption "Our Strategy" under Item 5, Operating and Financial Review and Prospects of our 2020 20-F.

Summary of Q1 2021

Our Q1 2021 Interim Financial Statements have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*, and accounting policies we adopted in accordance with IFRS, in each case as issued by the IASB. The Q1 2021 Interim Financial Statements reflect all adjustments that are, in the opinion of management, necessary to present fairly our financial position as at March 31, 2021 and the financial performance, comprehensive income and cash flows for the three months ended March 31, 2021. A discussion of our Q1 2021 financial results is set forth under "Operating Results" below. See Recent Developments, "Segment Environment" and "COVID-19 Update" above for a discussion of COVID-19 impacts on our Q1 2021 financial results.

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

	Three months ended March 31		
	2020	2021	% Change
Revenue	\$ 1,318.6	\$ 1,234.9	(6)%
Gross profit	91.0	101.5	12 %
Selling, general and administrative expenses (SG&A)	56.4	58.8	4 %
Other charges	8.0	4.6	(43)%
Net earnings (loss)	(3.2)	10.5	428 %
Diluted earnings (loss) per share	\$ (0.02)	\$ 0.08	500 %

	Three months ended March 31	
	2020	2021
Segment revenue* as a percentage of total revenue:		
ATS revenue (% of total revenue)	41%	43%
CCS revenue (% of total revenue)	59%	57%

	Three months ended March 31			
	2020		2021	
Segment income and segment margin*:				
ATS segment	\$ 14.7	Segment Margin 2.7 %	\$ 21.3	Segment Margin 4.0 %
CCS segment	23.4	3.0 %	22.0	3.1 %

* Segment performance is evaluated based on segment revenue, segment income and segment margin (segment income as a percentage of segment revenue), each of which are defined in "Operating Results — Segment income and margin" below.

	December 31 2020	March 31 2021
Cash and cash equivalents	\$ 463.8	\$ 449.4
Total assets	3,664.1	3,553.4
Borrowings under term loans	470.4	440.4
Borrowings under revolving credit facility*	—	—

* excluding ordinary course L/Cs.

	Three months ended March 31	
	2020	2021
Cash provided by operating activities	\$ 83.3	\$ 48.8
<i>Subordinate voting share (SVS) repurchase activities*:</i>		
Aggregate cost ⁽¹⁾ of SVS repurchased for cancellation ⁽²⁾	\$ —	\$ 5.3
# of SVS repurchased for cancellation (in millions)	—	0.6
Weighted average price per share for repurchases	\$ —	\$ 8.35

* No SVS were repurchased for delivery under stock-based compensation plans in either period.

⁽¹⁾ Includes transaction fees.

⁽²⁾ Excludes an accrual of \$18.1 million we recorded at March 31, 2021 for the contractual maximum number of permitted SVS repurchases as of March 31, 2021 pursuant to current instructions under the March 2021 ASPP.

Other performance indicators:

In addition to the key operating results and financial information described above, management reviews the following measures (which are not measures defined under IFRS):

	1Q20	2Q20	3Q20	4Q20	1Q21
Cash cycle days:					
Days in accounts receivable (A/R)	70	65	67	73	76
Days in inventory	77	75	77	82	90
Days in accounts payable (A/P)	(68)	(68)	(69)	(68)	(69)
Days in cash deposits*	(10)	(12)	(14)	(14)	(15)
Cash cycle days	<u>69</u>	<u>60</u>	<u>61</u>	<u>73</u>	<u>82</u>
Inventory turns	4.8x	4.9x	4.7x	4.4x	4.0x

* Represents cash deposits made by certain customers primarily to cover our risk of excess and/or obsolete inventory.

(in millions)	2020				2021
	March 31	June 30	September 30	December 31	March 31
A/R Sales	\$ 40.7	\$ 80.5	\$ 101.0	\$ 119.7	\$ 92.2
Supplier Financing Programs*	146.1	94.5	76.9	65.3	84.5
Total	<u>\$ 186.8</u>	<u>\$ 175.0</u>	<u>\$ 177.9</u>	<u>\$ 185.0</u>	<u>\$ 176.7</u>

* Represents A/R sold to third party banks in connection with the uncommitted supplier financing programs of two customers.

Days in A/R is defined as the average A/R for the quarter divided by the average daily revenue. Days in inventory, days in A/P and days in cash deposits are calculated by dividing the average balance for each item for the quarter by the average daily cost of sales. Cash cycle days is defined as the sum of days in A/R and days in inventory minus the days in A/P and days in cash deposits. Inventory turns are determined by dividing 365 by the number of days in inventory. A lower number of days in A/R, days in inventory, and cash cycle days, and a higher number of days in A/P, days in cash deposits, and inventory turns generally reflect improved cash management performance.

Days in A/R for Q1 2021 increased 3 days from Q4 2020, primarily due to a decrease in revenue in Q1 2021, offset in part by lower average A/R balances in Q1 2021 compared to Q4 2020, reflecting the timing of revenue and collections. Days in A/R for Q1 2021 increased 6 days compared to Q1 2020 primarily due to lower revenue in Q1 2021 compared to Q1 2020. Days in inventory for Q1 2021 increased 8 days sequentially primarily due to lower cost of sales in Q1 2021 compared to Q4 2020. Days in inventory for Q1 2021 increased 13 days compared to Q1 2020 primarily due to higher average inventory levels in Q1 2021 compared to Q1 2020 and lower cost of sales in Q1 2021. We carried higher inventory levels as of March 31, 2021 (compared to December 31, 2020 and March 31, 2020) primarily as a result of materials purchased in Q1 2021 to support new program ramps and anticipated future demand, including for our HPS business, offset in part by reductions in inventory for disengaged customers. Days in A/P for Q1 2021 increased 1 day compared to Q4 2020 and Q1 2020 primarily due to lower cost of sales in Q1 2021, offset in part by higher average A/P balances for Q1 2020 and Q4 2020 compared to Q1 2021. We received cash deposits from certain customers to help alleviate the impact of higher inventory purchases on our cash flows. Days in cash deposits for Q1 2021 increased 1 day sequentially, and 5 days compared to Q1 2020, reflecting higher cash deposits we received in Q1 2021, consistent with the increase in inventory purchases for certain customers, and to help reduce our working capital requirements. Customer cash deposits were \$190.3 million as at March 31, 2021, \$174.7 million as at December 31, 2020, \$134.9 million as at March 31, 2020, and \$121.9 million as at December 31, 2019. Our customer cash deposit balance fluctuates depending on the levels of inventory we have been asked by certain customers to procure (to secure supply for future demand), or as we utilize the inventory in production, and in Q1 2021, to reflect cash deposits returned to Cisco upon disengagement.

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

Critical Accounting Policies and 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 related disclosures with respect to contingent assets and liabilities. We base our judgments, estimates and assumptions on current facts, historical experience and various other factors that we believe are reasonable under the circumstances. The economic environment could also impact certain estimates and discount rates necessary to prepare our consolidated financial statements. Our assessment of these factors forms the basis for our judgments on the carrying values of our assets and liabilities, and the accrual of our costs and expenses. Actual results could differ materially from our 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 also impact future periods. Significant accounting policies and methods used in the preparation of our consolidated financial statements are described in note 2 to our 2020 AFS. The following paragraph identifies those areas, including the related accounting policies, which management considers to be "critical," defined as those that management believes are both most important to the portrayal of our financial condition and results and require application of management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain.

Key sources of estimation uncertainty and judgment: We have applied significant estimates, judgments and assumptions in the following areas which we believe could have a significant impact on our reported results and financial position: our determination of the timing of revenue recognition; our measurement of income taxes; whether events or changes in circumstances are indicators that an impairment review of our assets or cash generating units (CGUs²) should be conducted; and the measurement of our CGUs' recoverable amounts, which includes estimating future growth, profitability, and discount and terminal growth rates. See Item 5, Operating and Financial Review and Prospects, "Critical Accounting Policies and Estimates" of our 2020 20-F for a detailed discussion of each of the related accounting policies.

² CGUs are the smallest identifiable group of assets that cannot be tested individually and generate cash inflows that are largely independent of those of other assets or groups of assets, and can be comprised of a single site, a group of sites, or a line of business.

Our review of the estimates, judgments and assumptions used in the preparation of the Q1 2021 Interim Financial Statements included consideration of actual and potential impacts of COVID-19, including with respect to, among other things: the determination of whether indicators of impairment existed for our assets and CGUs, our estimated inventory provisions and expected credit losses, customer credit, and our eligibility for COVID Subsidies recognized during Q1 2021. Any revisions to estimates, judgments or assumptions (due to COVID-19 or otherwise) may result in, among other things, write-downs or impairments to our assets or CGUs, and/or adjustments to the carrying amount of our accounts receivable (A/R) and/or inventories, or to the valuation of our deferred tax assets, any of which could have a material impact on our results of operations and financial condition. However, we determined that no significant revisions to our estimates, judgments or assumptions were required for Q1 2021 as a result of COVID-19 (or otherwise). While we continue to believe the COVID-19 pandemic to be temporary, the situation is dynamic and the impact of COVID-19 on our results of operations and financial condition, including its impact on overall customer demand, cannot be reasonably estimated at this time. However, we continue to believe that our long-term estimates and assumptions are appropriate.

In addition, we determined that no triggering event occurred in Q1 2021 (or to date) that would require an interim impairment assessment of our CGUs, and no significant impairments or adjustments were identified in Q1 2021 (or to date) related to our allowance for doubtful accounts, or the recoverability and valuation of our assets and liabilities, due to COVID-19 (or otherwise).

Operating Results

See "Overview — Overview of business environment" and "Recent Developments" above for a discussion of the impact of recent market conditions, including COVID-19, on our segments and businesses. See the initial paragraph of "Operating Results" in Item 5, Operating and Financial Review and Prospects of our 2020 20-F for a general discussion of factors that can cause our financial results to fluctuate from period to period.

Operating results expressed as a percentage of revenue:

	Three months ended March 31	
	2020	2021
Revenue	100.0 %	100.0 %
Cost of sales	93.1	91.8
Gross profit	6.9	8.2
SG&A	4.3	4.8
Research and development costs	0.5	0.7
Amortization of intangible assets	0.5	0.4
Other charges	0.6	0.4
Finance costs	0.8	0.6
Earnings before income taxes	0.2	1.3
Income tax expense	0.4	0.4
Net earnings (loss) for the period	(0.2)%	0.9 %

Revenue:

Aggregate revenue of \$1,234.9 million for Q1 2021 decreased 6% compared to Q1 2020. Revenue from programs with customers other than Cisco increased 7% in Q1 2021 compared to Q1 2020.

The following table sets forth revenue from our reportable segments, as well as segment and end market revenue as a percentage of total revenue, for the periods indicated (in millions, except percentages):

	Three months ended March 31			
	2020		2021	
ATS segment revenue	\$ 547.0	41%	\$ 531.3	43%
CCS segment revenue	771.6	59%	703.6	57%
Communications		39 %		40 %
Enterprise		20 %		17 %
Total revenue	<u>\$ 1,318.6</u>		<u>\$ 1,234.9</u>	

ATS segment revenue represented 43% of total revenue for Q1 2021, compared to 41% for Q1 2020. ATS segment revenue for Q1 2021 decreased \$15.7 million (3%) compared to Q1 2020, as growth in our HealthTech and Capital Equipment businesses (aggregate growth of approximately 35% compared to Q1 2020), driven by new program ramps and market share gains, were more than offset by adverse demand impacts related to COVID-19 in our commercial aerospace and Industrial businesses, as well as an \$11 million adverse revenue impact across our ATS segment as a result of COVID-19-related materials constraints (Q4 2020 — \$8 million). Within our ATS segment, disruptions attributable to COVID-19 had the most significant adverse impact on revenue from our A&D business in Q1 2021. See "Recent Developments — *Segment Environment — ATS Segment.*"

CCS segment revenue represented 57% of total revenue for Q1 2021, compared to 59% of total revenue for Q1 2020. CCS segment revenue for Q1 2021 decreased \$68.0 million (9%) compared to Q1 2020, primarily due to the Cisco Disengagement (decline of approximately \$165 million), as well as softness in our Enterprise end market, partly offset by strong demand from service provider customers, including in our HPS business. COVID-19-related materials constraints had a \$1 million adverse impact on our CCS segment revenue in Q1 2021 (Q4 2020 — \$1 million). Communications end market revenue for Q1 2021 decreased \$11.5 million (2%) compared to Q1 2020 primarily due to the Cisco Disengagement, offset in large part by demand from service providers, including in our HPS business. Demand from service providers continues to be strong as they expand and upgrade their data centers in support of continued cloud and on-line requirements, resulting in part from the impact of COVID-19. Enterprise end market revenue for Q1 2021 decreased \$56.5 million (21%) compared to Q1 2020 primarily due to program-specific demand softness from certain storage customers. See "Recent Developments — *Segment Environment — CCS Segment.*"

We depend on a small number of customers for a substantial portion of our revenue. In the aggregate, our top 10 customers represented 65% of total revenue for Q1 2021 (Q1 2020 — 66%). We had no customers in Q1 2021 that individually represented 10% or more of total revenue (Q1 2020 — one former CCS segment customer, Cisco, which represented 13% of revenue for Q1 2020). We completed the Cisco Disengagement at the end of 2020.

We generally enter into master supply agreements with our customers that provide the framework for our overall relationship, but do not typically guarantee a particular level of business or fixed pricing. Instead, we bid on a program-by-program basis. We cannot assure that our current customers will continue to award us with follow-on or new business. Customers may also cancel contracts, and volume levels can be changed or delayed, any of which could have a material adverse impact on our results of operations, working capital performance (including requiring us to carry higher than expected levels of inventory), and result in lower asset utilization and lower margins. We cannot assure the replacement of completed, delayed, cancelled or reduced orders, or that our current customers will continue to utilize our services, or renew their long-term manufacturing or services contracts with us on acceptable terms or at all. Continuing market shifts to disaggregated solutions and open hardware platforms are adversely impacting demand from our traditional OEM Communications customers, but favorably impacting our service provider customers and our HPS business. There can be no assurance that revenue from any of our major customers will continue at historical levels or will not decrease in absolute terms or as a percentage of total revenue.

A significant revenue decrease or pricing pressures from these or other customers, or a loss of a major customer or program, could have a material adverse impact on our business, our operating results and our financial position.

Gross profit:

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

	Three months ended March 31	
	2020	2021
Gross profit (in millions)	\$ 91.0	\$ 101.5
Gross margin	6.9 %	8.2 %

Gross profit for Q1 2021 increased by 12% to \$101.5 million compared to Q1 2020. Gross margin increased from 6.9% in Q1 2020 to 8.2% for Q1 2021. The increase in gross profit was primarily due to strong contribution from our ATS segment, including our HealthTech and Capital Equipment businesses, and our HPS business. In addition, we estimate that we incurred approximately \$6 million of COVID-19 Costs in costs of sales in Q1 2021 (Q1 2020 — approximately \$3 million), and we recognized an aggregate of \$4 million of COVID Recoveries (Q1 2020 — nil), in cost of sales. COVID-19 Costs and COVID Recoveries recorded in Q1 2021 pertained primarily to our ATS segment. The increase in gross margin in Q1 2021 compared to Q1 2020 was primarily driven by improved mix across several of our businesses.

See "Recent Developments" above. Also see Item 5, Operating and Financial Review and Prospects, "Operating Results — *Gross profit*" of our 2020 20-F for a general discussion of the factors that can cause gross margin to fluctuate from period to period.

Selling, general and administrative expenses (SG&A):

SG&A for Q1 2021 of \$58.8 million (4.8% of total revenue) increased \$2.4 million compared to \$56.4 million (4.3% of total revenue) for Q1 2020. The increase for Q1 2021 compared to Q1 2020 was due to higher variable spend in Q1 2021, approximately \$2 million in foreign exchange gains recorded in Q1 2020, and COVID-19 Costs pertaining to IT and network charges (less than \$1 million). These adverse impacts were partially offset by the recognition of \$1 million of COVID Subsidies in SG&A in Q1 2021 (Q1 2020 — nil).

Segment income and margin:

Segment performance is evaluated based on segment revenue (set forth above), segment income and segment margin (segment income as a percentage of segment revenue). Revenue is attributed to the segment in which the product is manufactured or the service is performed. Segment income is defined as a segment's net revenue less its cost of sales and its allocable portion of selling, general and administrative expenses and research and development expenses (collectively, Segment Costs). Identifiable Segment Costs are allocated directly to the applicable segment while other Segment Costs, including indirect costs and certain corporate charges, are allocated to our segments based on an analysis of the relative usage or benefit derived by each segment from such costs. Segment income excludes Finance Costs (defined under "*Finance Costs*" below), employee SBC expense, amortization of intangible assets (excluding computer software), and Other Charges (recoveries) (described under "*Other charges*" below), as these costs and charges/recoveries are managed and reviewed by our CEO at the company level. See the reconciliation of segment income to our earnings before income taxes for Q1 2021 and Q1 2020 in note 3 to the Q1 2021 Interim Financial Statements. Our segments do not record inter-segment revenue. Although segment income and segment margin are used to evaluate the performance of our segments, we may incur operating costs in one segment that may also benefit the other segment. Our accounting policies for segment reporting are the same as those applied to the Company as a whole.

The following table shows segment income (in millions) and segment margin for the periods indicated:

	Three months ended March 31			
	2020		2021	
Segment income and segment margin:				
		<u>Segment Margin</u>		<u>Segment Margin</u>
ATS segment	\$ 14.7	2.7 %	\$ 21.3	4.0 %
CCS segment	23.4	3.0 %	22.0	3.1 %

ATS segment income for Q1 2021 increased \$6.6 million (45%) compared to Q1 2020, as a result of the HealthTech and Capital Equipment revenue increases discussed above and our productivity efforts, which more than offset the reduced profit contribution from our A&D business. ATS segment margin increased from 2.7% in Q1 2020 to 4.0% in Q1 2021, due primarily to favorable mix, including new program ramps in our HealthTech business, as well as improved productivity. See "Recent Developments" above.

CCS segment income for Q1 2021 decreased \$1.4 million (6%) compared to Q1 2020, as a result of lower revenue, as described above. Despite the lower revenue levels, CCS segment margin for Q1 2021 increased to 3.1% compared to 3.0% for Q1 2020 primarily due to favorable mix.

SBC expense:

The following table shows employee SBC expense (with respect to restricted share units (RSUs) and performance share units (PSUs) granted to employees) and director SBC expense (with respect to deferred share units (DSUs) and RSUs issued to directors as compensation) for the periods indicated (in millions):

	Three months ended March 31	
	2020	2021
Employee SBC expense in cost of sales	\$ 4.8	\$ 4.9
Employee SBC expense in SG&A	6.5	5.2
Total	<u>\$ 11.3</u>	<u>\$ 10.1</u>
Director SBC expense in SG&A ⁽¹⁾	\$ 0.5	\$ 0.5

(1) Expense consists of director compensation to be settled with SVS, or SVS and cash, as elected by each director.

Our SBC expense may fluctuate in any period to account for, among other things, forfeitures from employee terminations or resignations, the recognition of accelerated SBC expense for employees eligible for retirement (generally in the first quarter of the year associated with our annual grants), and adjustments related to our estimated level of achievement of pre-determined performance goals and financial targets. The decrease in our employee SBC expense in SG&A for Q1 2021 compared to Q1 2020 reflects a lower amount of accelerated expenses related to employees eligible for retirement.

Other charges:

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

	Three months ended March 31	
	2020	2021
Restructuring charges	\$ 8.0	\$ 5.8
Transition Costs	—	0.1
Acquisition Costs (Recoveries) and Other	—	(1.3)
	<u>\$ 8.0</u>	<u>\$ 4.6</u>

Restructuring:

We perform ongoing evaluations of our business, operational efficiency and cost structure, and implement restructuring actions as we deem necessary.

Our restructuring charges for Q1 2021 consisted primarily of actions to adjust our cost base to address reduced levels of demand in certain of our businesses, due in part to the impact of COVID-19, including continued actions to right-size our commercial aerospace facilities. Our 2020 restructuring actions were associated primarily with the Cisco Disengagement, as well as other actions to adjust our cost base similar to (and for the same reasons as) those taken in Q1 2021.

During Q1 2021, we recorded \$5.8 million of restructuring charges consisting of cash charges of \$5.7 million and non-cash charges of \$0.1 million. The cash restructuring charges for Q1 2021 were primarily for employee termination costs. The non-cash restructuring charges for Q1 2021 reflect the write-down of right-of-use (ROU) assets in connection with vacated properties. Approximately two-thirds of the Q1 2021 restructuring charges pertained to our ATS segment, and included actions in our A&D business. Restructuring charges of \$8.0 million for Q1 2020 consisted of cash charges of \$6.5 million primarily for employee termination costs, and non-cash charges of \$1.5 million to write down certain equipment related to disengaged programs. Approximately two-thirds of Q1 2020 charges pertained to our ATS segment, and included actions in our A&D and Capital Equipment businesses. Our restructuring provision at March 31, 2021 was \$3.8 million (December 31, 2020 — \$4.7 million), which we recorded in the current portion of provisions on our consolidated balance sheet.

We may also implement additional future restructuring actions or divestitures as a result of changes in our business, the marketplace and/or our exit from less profitable, under-performing, non-core or non-strategic operations. In addition, an increase in the frequency of customers transferring business to our competitors, changes in the volumes they outsource, pricing pressures, or requests to transfer their programs among our sites or to lower-cost locations, may also result in our taking future restructuring actions. We may incur higher operating expenses during periods of transitioning programs within our network or to our competitors. Any such restructuring activities, if undertaken at all, could adversely impact our operating and financial results, and may require us to further adjust our operations.

Transition Costs:

Transition Costs consist of Toronto Transition Costs and Internal Relocation Costs, each of which is defined under the caption "Non-IFRS Financial Measures" below. In Q1 2021, we recorded \$0.1 million of Transition Costs (Q1 2020 — nil), consisting of Internal Relocation Costs related to the transfer of certain manufacturing lines from closed sites to other sites within our global network. As previously disclosed, we do not expect to incur further Toronto Transition Costs until the move into our new corporate headquarters commences (currently expected in May 2023). See Item 5, Operating and Financial Review and Prospects, "Liquidity — Toronto Real Property and Related Transactions" of the 2020 20-F for a discussion of relocations related to the 2019 sale of our Toronto real property, and aggregate transition and capital costs incurred in connection therewith.

Acquisition Costs (Recoveries) and Other:

We incur consulting, transaction and integration costs relating to potential and completed acquisitions. We also incur charges or releases related to the subsequent re-measurement of indemnification assets or the release of indemnification or other liabilities recorded in connection with our acquisition of Impakt Holdings, LLC (Impakt). Collectively, these costs, charges and releases are referred to as Acquisition Costs (Recoveries). Net Acquisition Recoveries of \$0.8 million during Q1 2021 consisted of \$0.4 million in consulting costs related to potential acquisitions, and \$1.2 million of releases related to certain indirect tax liabilities previously recorded in connection with the acquisition of Impakt. No Acquisition Costs (Recoveries) were recorded in Q1 2020. Other consists of legal recoveries in Q1 2021 (for component parts purchased in prior periods) in connection with the settlement of class action lawsuits in which we were a plaintiff.

Finance Costs:

Finance Costs consist of interest expense and fees related to our credit facility (including debt issuance and related amortization costs), our interest rate swap agreements, our accounts receivable sales program and customers' supplier financing programs, and interest expense on our lease obligations, net of interest income earned. During Q1 2021, we recorded \$8.0 million of Finance Costs (Q1 2020 — \$10.8 million). During Q1 2021, we paid Finance Costs of \$5.7 million (Q1 2020 —

\$9.2 million). The decrease in Finance Costs recorded and paid was primarily due to lower borrowings under our credit facility and a reduction in interest rates compared to Q1 2020.

Income taxes:

For Q1 2021, we had a net income tax expense of \$5.2 million on earnings before tax of \$15.7 million, compared to a net income tax expense of \$5.5 million on earnings before tax of \$2.3 million for Q1 2020.

Our Q1 2021 net income tax expense was favorably impacted by \$1.1 million in reversals of tax uncertainties in one of our Asian subsidiaries that completed its liquidation and dissolution during the quarter. Taxable foreign exchange impacts for Q1 2021 were not significant. Our Q1 2020 net income tax expense was favorably impacted by \$5.7 million in net reversals of tax uncertainties in certain of our Asian subsidiaries, offset in part by \$3.0 million of tax expense arising from taxable temporary differences associated with the then-anticipated repatriation of undistributed earnings from certain of our Chinese and Thai subsidiaries, and \$1.0 million in adverse taxable foreign exchange impacts arising primarily from the weakening of the Chinese renminbi and Thai baht relative to the U.S. dollar.

In certain jurisdictions, primarily in the Americas and Europe, we currently have significant net operating losses and other deductible temporary differences, some of which we expect will be used to reduce taxable income in these jurisdictions in future periods, although not all are currently recognized as deferred tax assets. In addition, the tax benefits we are able to record related to restructuring charges and SBC expenses are limited, as a significant portion of such amounts are incurred in jurisdictions with unrecognized loss carryforwards. Tax benefits we are able to record related to the accounting amortization of intangible assets are also limited based on the structure of our recent acquisitions. We review our deferred income tax assets at each reporting date and reduce them to the extent we believe it is no longer probable that we will realize the related tax benefits.

In response to the COVID-19 pandemic, certain jurisdictions in which we operate have implemented certain tax relief measures, including deferral of value-added tax payments (such as VAT or GST) and additional tax deductions. However, these tax relief measures have not provided us with significant tax benefits to date. We do not currently expect that these tax relief measures will have a significant impact on our global tax rate. However, see "Recent Developments — COVID-19 Update" above and note 24 to the 2020 AFS for a discussion of COVID Subsidies recorded in Q1 2021 and during 2020 that subsidized or offset qualifying expenses, including payroll costs and social insurance program contributions.

The Biden administration in the U.S. has proposed increases, among other things, to the U.S. corporate income tax rate. Although such proposals, if adopted as currently contemplated, would not have a significant tax impact on our operations, we cannot predict the likelihood, timing or substance of U.S. tax reform. We will continue to monitor the progress of U.S. tax reform, as well as other global tax reform initiatives. Legislation or other changes in U.S. and/or international tax laws could potentially increase our tax liability or adversely affect our overall profitability and results of operations.

Our tax incentives currently consist of tax exemptions for the profits of, and for dividend withholding taxes for, our Thailand and Laos subsidiaries. We have two income tax incentives in Thailand. One of these incentives initially allows for a 100% income tax exemption (including distribution taxes), and after eight years transitions to a 50% income tax exemption for the next five years (excluding distribution taxes). This incentive will transition to the 50% exemption in 2022 and expire in 2027. The second incentive allows for a 100% income tax exemption (including distribution taxes) for eight years, and expires in 2028. Upon full expiry of each of the incentives, taxable profits associated with such incentives become fully taxable. During 2020, we successfully transitioned a portion of our business under recently expired incentives to our remaining two incentives. The remainder of the transition is anticipated to be completed in Q2 2021. Our tax expense could increase significantly if certain tax incentives from which we benefit are retracted.

We received an approval from the Malaysian authorities in Q4 2020 for an income tax incentive for one of our Malaysian subsidiaries, which provides for a 50% income tax exemption for a period of five years for certain product sets manufactured by such subsidiary. The commencement date of this incentive is yet to be determined by the Malaysian authorities. Although a significant portion of this incentive may be retroactively applicable to past periods, we cannot assure that this will be the case. Due to uncertainty of the period for which this incentive applies, we cannot currently quantify the applicable benefit.

In 2017, the Brazilian Ministry of Science, Technology, Innovation and Communications issued assessments seeking to disqualify certain of our R&D expenses for the years 2006 to 2009, which entitled our Brazilian subsidiary (which ceased operations in 2009) to charge reduced sales tax levies to its customers. As of March 31, 2021, the assessments, including

interest and penalties, total approximately 24 million Brazilian real (approximately \$4 million at period-end exchange rates) for all such years. See note 12 of the Q1 2021 Interim Financial Statements for further detail. There has been no change in our views with respect to this matter from those set forth in Item 5, Operating and Financial Review and Prospects, "Operating Results — Income taxes" of the 2020 20-F.

The successful pursuit of assertions made by any government authority, including tax authorities, could result in our owing significant amounts of tax or other reimbursements, interest and possibly penalties. We believe we adequately accrue for any probable potential adverse 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 in excess of amounts accrued.

Net earnings (loss):

Net earnings for Q1 2021 of \$10.5 million represented an increase of \$13.7 million compared to a net loss of \$3.2 million for Q1 2020. This increase was primarily due to \$10.5 million in higher gross profit, \$3.4 million in lower other charges, and \$2.8 million in lower Finance Costs in Q1 2021 as compared to Q1 2020, offset in part by \$2.4 million in higher SG&A compared to the prior year period.

Liquidity and Capital Resources

Liquidity

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

	December 31	March 31
	2020	2021
Cash and cash equivalents	\$ 463.8	\$ 449.4
Borrowings under credit facility*	470.4	440.4

* excluding ordinary course L/Cs.

	Three months ended March 31	
	2020	2021
Cash provided by operating activities	\$ 83.3	\$ 48.8
Cash used in investing activities	(12.2)	(12.6)
Cash used in financing activities	(78.5)	(50.6)
Changes in non-cash working capital items (included in operating activities above):		
A/R	\$ 68.1	\$ 128.4
Inventories	(80.2)	(62.1)
Other current assets	—	(1.7)
A/P, accrued and other current liabilities and provisions	39.3	(67.3)
Working capital changes	<u>\$ 27.2</u>	<u>\$ (2.7)</u>

Cash provided by operating activities:

In Q1 2021, we generated \$48.8 million of cash from operating activities compared to \$83.3 million in Q1 2020. The decrease in cash from operating activities in Q1 2021 as compared to Q1 2020 was primarily due to \$29.9 million in higher working capital requirements. Higher working capital requirements for Q1 2021 as compared to Q1 2020 reflect primarily a \$106.6 million reduction in A/P cash flows, offset in part by a \$60.3 million improvement in A/R cash flows and an \$18.1 million increase in inventory cash flows. This reduction in A/P cash flows reflects the timing of payments compared to Q1 2020. A/R cash flows were higher in Q1 2021 compared to Q1 2020 as a result of higher outstanding A/R balances at the beginning of 2021 compared to the beginning of 2020 and the timing of collections. The improvement in inventory cash flows

for Q1 2021 compared to Q1 2020 primarily reflects the reduced impact of materials constraints, offset in part by higher inventory levels we are carrying to support new program ramps and anticipated future demand. In Q1 2020, we experienced materials constraints as a result of COVID-19, as well as the need to purchase additional materials to mitigate such shortages. Our inventory at March 31, 2021 has increased from December 31, 2020, in part to support new programs and future demand, particularly growth in our HPS business. However, a significant portion of our inventory purchases were covered by cash deposits received from our customers, which helped to alleviate the impact of such purchases on our cash flows. Our working capital amounts fluctuate from period to period depending on various factors, including the timing and extent of purchases. In particular, our A/P cash flow levels may decrease in subsequent periods as payments are made, and as cash deposit balances change.

Free cash flow (non-IFRS):

Non-IFRS free cash flow is defined as cash provided by or used in operations after the purchase of property, plant and equipment (net of proceeds from the sale of certain surplus equipment and property), lease payments, and Finance Costs paid (excluding debt issuance costs paid). As we do not consider debt issuance costs (nil and \$0.3 million paid in Q1 2021 and Q1 2020, respectively) to be part of our core operating expenses, these costs are excluded from total Finance Costs paid in our determination of non-IFRS free cash flow. Management uses non-IFRS free cash flow as a measure, in addition to IFRS cash provided by or used in operations (described above), to assess our operational cash flow performance. We believe non-IFRS free cash flow provides another level of transparency to our liquidity. Note, however, that non-IFRS free cash flow does not represent residual cash flow available to Celestica for discretionary expenditures.

A reconciliation of this measure to cash provided by operating activities measured under IFRS is set forth below:

(in millions)

	Three months ended March 31	
	2020	2021
IFRS cash provided by operations	\$ 83.3	\$ 48.8
Purchase of property, plant and equipment, net of sales proceeds	(12.2)	(12.6)
Lease payments	(8.4)	(9.6)
Finance costs paid (excluding debt issuance costs)	(8.9)	(5.7)
Non-IFRS free cash flow	<u>\$ 53.8</u>	<u>\$ 20.9</u>

Our non-IFRS free cash flow of \$20.9 million for Q1 2021 decreased \$32.9 million compared to \$53.8 million for Q1 2020, reflecting lower cash generated from operations (discussed above) for Q1 2021 compared to Q1 2020, offset in part by \$3.2 million of lower Finance Costs paid in Q1 2021 compared to Q1 2020 (described above).

Cash used in investing activities:

Our capital expenditures for Q1 2021 were \$12.6 million (Q1 2020 — \$12.3 million), primarily to enhance our manufacturing capabilities in various geographies and to support new customer programs (split approximately evenly between our segments for both periods). Our capital expenditures for Q1 2021 were primarily for the expansion of our Atrenne facilities in the U.S. to accommodate additional capacity for our defense customers and to support CCS segment growth. Capital expenditures in each of Q1 2021 and Q1 2020 were lower than originally anticipated, as a result of the shifting of programs or spending to future periods, due in part to the impact of COVID-19. We fund our capital expenditures from cash on hand and through the financing arrangements described under "Capital Resources" below.

Cash used in financing activities:

SVS repurchases:

See "Summary of Q1 2021" above for a table detailing our SVS repurchases for the periods indicated.

Financing and Finance Costs:

See "*Cash requirements* — Financing Arrangements" below for a description of term loan repayments made in Q1 2021 and during 2020, including a mandatory prepayment of \$107.0 million (ECF Amount) in 2020 based on specified 2019 excess cash flow. Our credit facility is described under "Capital Resources" below, including applicable interest rates thereunder as of March 31, 2021.

See "Operating Results — *Finance Costs*" above for a description of Finance Costs recorded and paid in each of Q1 2021 and Q1 2020.

Lease payments:

During Q1 2021, we paid \$9.6 million (Q1 2020 — \$8.4 million) in lease payments.

Cash requirements:

Our working capital requirements can vary significantly from month-to-month due to a range of business factors, including the ramping of new programs, expansion of our services and business operations, timing of purchases, higher levels of inventory for new programs and anticipated customer demand, timing of payments and A/R collections, and customer forecasting variations. The international scope of our operations may also create working capital requirements in certain countries while other countries generate cash in excess of working capital needs. Moving cash between countries on a short-term basis to fund working capital is not always expedient due to local currency regulations, tax considerations, and other factors. To meet our working capital requirements and to provide short-term liquidity, we may draw on our revolving credit facility, and/or sell A/R through our A/R sales program or participate in supplier financing programs, when permitted (described below). The timing and the amounts we borrow or repay under these facilities can vary significantly from month-to-month depending upon our cash requirements. We continue to believe that cash flow from operating activities, together with cash on hand, availability under our revolving credit facility (\$428.7 million at March 31, 2021, reflecting outstanding ordinary course L/Cs thereunder), potential availability under uncommitted intraday and overnight bank overdraft facilities, and cash from permitted sales of A/R, will be sufficient to fund our currently anticipated working capital needs and planned capital spending (including the commitments described elsewhere herein). See "Capital Resources" below.

Financing Arrangements:

In June 2018, we entered into an \$800.0 million credit facility (Credit Facility) with Bank of America, N.A., as Administrative Agent, and the other lenders party thereto, providing a \$350.0 million term loan (Initial Term Loan) that matures in June 2025, and a \$450.0 million revolver (Revolver) that matures in June 2023. In November 2018, we added a \$250.0 million term loan (Incremental Term Loan) that matures in June 2025. The Initial Term Loan and the Incremental Term Loan are collectively referred to as the Term Loans. The Credit Facility is described under "Capital Resources" below, including applicable interest rates thereunder as of March 31, 2021.

We do not believe that the aggregate amounts outstanding under our Credit Facility as at March 31, 2021 (\$440.4 million under the Term Loans and \$21.3 million in ordinary course L/Cs) have, or will have, a significant adverse impact on our liquidity, our results of operations or financial condition. We believe that our current level of leverage is acceptable for a company of our size and that we will remain in compliance with restrictive and financial covenants under the Credit Facility.

However, our outstanding indebtedness, together with the mandatory prepayment provisions of the Credit Facility (described below), may reduce our ability to fund future acquisitions and/or to respond to unexpected capital requirements, and will require us to use a portion of our cash flow to service such debt. See Item 5, Operating and Financial Review and Prospects, "*Liquidity — Cash requirements*" of our 2020 20-F for a discussion of other potential adverse effects of our outstanding indebtedness. In addition, the Credit Facility contains restrictive covenants that limit our ability to engage in specified types of transactions, as well as specified financial covenants (described in "Capital Resources" below). Our ability to maintain compliance with such financial covenants will depend on our ongoing financial and operating performance, which, in turn, may be impacted by economic conditions and financial, market, and competitive factors, many of which are beyond our control. A breach of any such covenants could result in a default under the instruments governing our indebtedness.

The Initial Term Loan required quarterly principal repayments of \$0.875 million, and the Incremental Term Loan required quarterly principal repayments of \$0.625 million (which have been paid as described below), and in each case require a lump sum repayment of the remainder outstanding at maturity. Commencing in 2020, we are also required to make an annual prepayment of outstanding obligations under the Credit Facility (applied first to the Term Loans, then to the Revolver, in the manner set forth in the Credit Facility), ranging from 0% — 50% (based on a defined leverage ratio) of specified excess cash flow (as defined in the Credit Facility) for the prior fiscal year. The \$107.0 million ECF Amount was due in the second quarter of 2020 (Q2 2020) based on this provision. No Credit Facility prepayments based on 2020 excess cash flow will be required in 2021. In addition, prepayments of outstanding obligations under the Credit Facility (applied as described above) may also be required in the amount of specified net cash proceeds received above a specified annual threshold (including proceeds from the disposal of certain assets). No Credit Facility prepayments based on net cash proceeds were required during 2020, nor will such prepayments be required in 2021. Further mandatory principal prepayments of the Term Loans based on specified excess cash flow and/or net cash proceeds may be required subsequent to 2021. Any outstanding amounts under the Revolver are due at maturity.

In Q1 2021, we repaid an aggregate of \$30.0 million under the Incremental Term Loan. During Q1 2020, we made the scheduled quarterly principal repayment of \$0.875 million under the Initial Term Loan, and also prepaid an aggregate of \$60.0 million under the Incremental Term Loan. This prepayment was first applied to the Q1 2020 and all remaining scheduled quarterly principal repayments of the Incremental Term Loan prior to maturity, and thereafter to remaining principal amounts outstanding thereunder. This prepayment also reduced the ECF Amount due in Q2 2020 to \$47.0 million. On April 27, 2020, we prepaid \$47.0 million under the Initial Term Loan. This prepayment was first applied to the scheduled quarterly principal repayment for Q2 2020 and all remaining scheduled quarterly principal repayments of the Initial Term Loan prior to maturity, and thereafter to remaining principal amounts outstanding thereunder. This prepayment eliminated the remainder of the ECF Amount. Subsequent to this prepayment, we prepaid an additional \$14.0 million under the Term Loans in June 2020 (\$1.5 million under the Initial Term Loan and \$12.5 million under the Incremental Term Loan). No further repayments were required or made during 2020.

Interest expense for Q1 2021 under the Credit Facility, including the impact of our interest rate swap agreements, was \$5.2 million (Q1 2020 — \$7.7 million). An increase in prevailing interest rates, margins, or amounts outstanding, would cause this amount to increase. Commitment fees paid during Q1 2021 were \$0.5 million (Q1 2020 — \$0.4 million). See "Operating Results — Finance Costs" above for a discussion of Finance Costs incurred and paid in each of Q1 2021 and Q1 2020.

As at March 31, 2021 and December 31, 2020, other than ordinary course L/Cs, no amounts were outstanding under the Revolver. At March 31, 2021, \$92.2 million of A/R were sold under our A/R sales program (December 31, 2020 — \$119.7 million sold). We currently use, and may in future periods increase the amounts we offer to sell under, our A/R sales program as a cost-effective alternative to drawing amounts on our Revolver to meet our ordinary course cash requirements. In order to offset the impact of extended payment terms for particular customers on our working capital, we also participate in two customer supplier financing programs (SFPs), pursuant to which we sell A/R from such customers to third-party banks on an uncommitted basis to receive earlier payment. At March 31, 2021, we sold \$84.5 million of A/R under the SFPs (March 31, 2020 — \$146.1 million; December 31, 2020 — \$65.3 million). During Q1 2020, we sold higher amounts of A/R under our SFPs compared to subsequent periods, as our current A/R sales program was not available until late in Q1 2020. See "Capital Resources" below for a description of our A/R sales program and SFPs.

During Q1 2021, we paid \$9.6 million (Q1 2020 — \$8.4 million) in lease payments. See note 6 to the Q1 2021 Interim Financial Statements for information regarding our outstanding lease obligations.

Cash and Cash Equivalents:

A significant portion of our cash and cash equivalents is held by foreign subsidiaries outside of Canada, a large part of which may be subject to withholding taxes upon repatriation under current tax laws. Cash and cash equivalents held by subsidiaries, which we do not intend to repatriate in the foreseeable future, are not subject to these withholding taxes. We repatriated approximately \$40 million of cash in Q1 2021 from various of our foreign subsidiaries, and remitted related previously-acrued withholding taxes (\$4 million). We currently expect to repatriate an aggregate of approximately \$260 million of cash in the foreseeable future from various foreign subsidiaries, and previously recorded anticipated related withholding taxes as deferred income tax liabilities. While some of our subsidiaries are subject to local governmental restrictions on the flow of capital into and out of their jurisdictions (including in the form of cash dividends, loans or advances to us), which is required or desirable from time to time to meet our international working capital needs and other business

objectives (as described above), these restrictions have not had a material impact on our ability to meet our cash obligations. At March 31, 2021, we had approximately \$370 million (December 31, 2020 — \$320 million) of cash and cash equivalents held by foreign subsidiaries outside of Canada that we do not intend to repatriate in the foreseeable future.

Our capital spending varies each period based on, among other things, the timing of new business wins and forecasted sales levels. Based on our current plans, we anticipate capital spending for 2021 to be approximately 1.5% to 2% of revenue, and expect to fund these expenditures from cash on hand and through the financing agreements described below under "Capital Resources." Our intended 2021 capital expenditures include the continued expansion of one of our Atrenne facilities to accommodate additional capacity for our defense customers, and to support growth in our CCS segment.

SVS Repurchases:

We have funded and intend to continue to fund our SVS repurchases under our NCIBs from cash on hand, borrowings under the Revolver, or a combination thereof. We have funded, and expect to continue to fund, share repurchases to satisfy delivery obligations under stock-based awards from cash on hand.

Restructuring Provision:

We have funded and intend to continue to fund any restructuring provision from cash on hand.

COVID Recoveries:

As noted in "Recent Developments" above, we recognized COVID Recoveries in Q1 2021, which helped to mitigate the adverse impact of COVID-19 on our operations. However, there can be no assurance that COVID Recoveries will be available in Q2 2021 (or thereafter), and if so, whether we will qualify for or receive any such assistance.

Corporate Headquarters Relocations:

Our corporate headquarters relocations are described under the caption "*Cash requirements* — Toronto Real Property and Related Transactions" of the Liquidity and Capital Resources section of Item 5, Operating and Financial Review and Prospects, of our 2020 20-F. We do not expect to incur further relocation transition costs until we prepare for our move to our new headquarters, which remain under construction. Completion of construction is currently targeted for May 2023. Upon such completion, our estimated annual basic rent will be approximately \$2.1 million Canadian dollars for each of the first five years, and approximately \$2.2 million Canadian dollars for each of the remaining five years. We may, at our option, extend the applicable lease for two further consecutive five year periods.

Former Cisco Facility:

In connection with the Cisco Disengagement, we are currently working to demise the remaining equipment and prepare the facility for alternate uses. We anticipate these activities to be completed over the next two quarters. Aggregate costs in connection with such activities are not expected to be material.

Litigation and contingencies (including indemnities):

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 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. See "Operating Results — *Income Taxes*" above and note 12 to the Q1 2021 Interim Financial Statements for a description of a Brazilian sales tax matter.

We provide routine indemnifications, the terms of which range in duration and scope, and often are not explicitly defined, including for third-party intellectual property infringement, certain negligence claims, and for our directors and officers. We have also provided indemnifications in connection with the sale of certain assets. The maximum potential liability from these indemnifications cannot be reasonably estimated. In some cases, we have recourse against other parties or insurance

to mitigate our risk of loss from these indemnifications. Historically, we have not made significant payments relating to these types of indemnifications.

Capital Resources

Our capital resources consist of cash provided by operating activities, access to the Revolver, uncommitted intraday and overnight bank overdraft facilities, an uncommitted A/R sales program, two uncommitted SFPs, and our ability to issue debt or equity securities. We regularly review our borrowing capacity and make adjustments, as permitted, for changes in economic conditions and changes in our requirements. We centrally manage our funding and treasury activities in accordance with corporate policies, and our main objectives are to ensure appropriate levels of liquidity, to have funds available for working capital or other investments we determine are required to grow our business, to comply with debt covenants, to maintain adequate levels of insurance, and to balance our exposures to market risks.

At March 31, 2021, we had cash and cash equivalents of \$449.4 million (December 31, 2020 — \$463.8 million), the majority of which was denominated in U.S. dollars. Our cash and cash equivalents are subject to intra-quarter swings, generally related to the timing of A/R collections, inventory purchases and payments, and other capital uses.

As of March 31, 2021, an aggregate of \$440.4 million was outstanding under the Term Loans, and other than ordinary course L/Cs, no amounts were outstanding under the Revolver (December 31, 2020 — \$470.4 million outstanding under the Term Loans, and other than ordinary course L/Cs, no amounts were outstanding under the Revolver). See "Liquidity — Cash requirements — Financing Arrangements" above for a discussion of amounts borrowed and repaid under our Credit Facility during Q1 2021 and Q1 2020. Except under specified circumstances, and subject to the payment of breakage costs (if any), we are generally permitted to make voluntary prepayments of outstanding amounts under the Revolver and the Term Loans without any other premium or penalty. Repaid amounts on the Term Loans may not be re-borrowed. Repaid amounts on the Revolver may be re-borrowed.

The Credit Facility has an accordion feature that allows us to increase the term loans and/or revolving loan commitments by approximately \$110 million, plus an unlimited amount (subject to a specified leverage ratio), in each case on an uncommitted basis and under specified circumstances. See Item 5, Operating and Financial Review and Prospects, "Capital Resources" of the 2020 20-F and note 12 to the 2020 AFS for additional detail, as well as a description of permitted uses for the Revolver, a \$50.0 million swing-line and \$150.0 million sub-limit for L/Cs thereunder, and the range of interest rates, margins and commitment fees applicable to borrowings under the Credit Facility. The Initial Term Loan currently bears interest at LIBOR plus 2.125%. The Incremental Term Loan currently bears interest at LIBOR plus 2.5%. The Credit Facility provides that when the Administrative Agent, the majority of lenders or the Company determines that LIBOR is unavailable or being replaced, the Administrative Agent and the Company may amend the underlying credit agreement to reflect a successor rate. Once LIBOR becomes unavailable, if no successor rate has been established, loans under the Credit Facility will convert to Base Rate loans.

In order to partially hedge against our exposure to interest rate variability on our Term Loans, we have entered into various agreements with third-party banks to swap the variable interest rate with a fixed rate of interest. At March 31, 2021, we had: (i) interest rate swaps hedging the interest rate risk associated with \$175.0 million of our Initial Term Loan borrowings that allow us to cancel up to \$75.0 million of the notional amount of such swaps commencing in August 2021, and expire in August 2023, and additional interest rate swaps hedging the interest rate risk associated with \$100.0 million of our Initial Term Loan borrowings effective upon such expiration through June 2024; and (ii) interest rate swaps hedging the interest rate risk associated with \$100.0 million of our Incremental Term Loan borrowings that expire in December 2023. See note 21 to the 2020 AFS for further detail.

At March 31, 2021, the interest rate risk related to \$165.4 million of borrowings under the Credit Facility was unhedged, consisting of unhedged amounts outstanding under the Term Loans (December 31, 2020 — \$195.4 million, consisting of unhedged amounts under the Term Loans). Other than ordinary course L/Cs, no amounts were outstanding under the Revolver at either such date. A one-percentage point increase in relevant interest rates would increase interest expense, based on outstanding borrowings under the Credit Facility at March 31, 2021, by \$1.7 million annually, including the impact of our interest rate swap agreements, and by \$4.4 million annually, without accounting for such agreements.

We are required to comply with certain restrictive covenants under the Credit Facility, including those relating to the incurrence of certain indebtedness, the existence of certain liens, the sale of certain assets, specified investments and payments,

sale and leaseback transactions, and certain financial covenants relating to a defined interest coverage ratio and leverage ratio that are tested on a quarterly basis. Our Credit Facility also prohibits share repurchases for cancellation if our leverage ratio (as defined in such facility) exceeds a specified amount (Repurchase Restriction). The Repurchase Restriction was not in effect during Q1 2021 (or at March 31, 2021). At March 31, 2021, we were in compliance with all restrictive and financial covenants under the Credit Facility. The obligations under the Credit Facility are guaranteed by us and certain specified subsidiaries. Subject to specified exemptions and limitations, all assets of the guarantors are pledged as security for the obligations under the Credit Facility. The Credit Facility contains customary events of default. If an event of default occurs and is continuing (and is not waived), the administrative agent may declare all amounts outstanding under the Credit Facility to be immediately due and payable and may cancel the lenders' commitments to make further advances thereunder. In the event of a payment or other specified defaults, outstanding obligations accrue interest at a specified default rate.

During Q1 2021, we repaid an aggregate of \$30.0 million of the amounts outstanding under the Incremental Term Loan. Our priority continues to be to maintain and/or improve our debt leverage position. At March 31, 2021, we had \$428.7 million available under the Revolver for future borrowings, reflecting outstanding borrowings (none) and ordinary course L/Cs (December 31, 2020 — \$428.7 million).

At March 31, 2021, we had \$21.3 million outstanding in L/Cs under the Revolver (December 31, 2020 — \$21.3 million). We also arrange L/Cs and surety bonds outside of the Revolver. At March 31, 2021, we had \$18.9 million of such L/Cs and surety bonds outstanding (December 31, 2020 — \$20.2 million).

At March 31, 2021, we also had a total of \$162.7 million in uncommitted bank overdraft facilities available for intraday and overnight operating requirements (December 31, 2020 — \$162.7 million). There were no amounts outstanding under these overdraft facilities at March 31, 2021 or December 31, 2020.

We entered into an agreement in March 2020 with a third-party bank to sell up to \$300.0 million in A/R on an uncommitted basis, subject to pre-determined limits by customer. This one-year agreement provides for automatic annual one-year extensions, and was so extended in March 2021. This agreement may be terminated at any time by the bank or by us upon 3 months' prior notice, or by the bank upon specified defaults. We also participate in two SFPs, pursuant to which we sell A/R from the relevant customer to third-party banks on an uncommitted basis to receive earlier payment (substantially offsetting the effect of such customers' extended payment terms on our working capital for the period). The SFPs have an indefinite term and may be terminated at any time by the customer or by us upon specified prior notice. A/R are sold under these arrangements net of discount charges. See note 4 to the Q1 2021 Interim Financial Statements for further detail. As our A/R sales program and the SFPs are on an uncommitted basis, there can be no assurance that any of the banks will purchase any of the A/R we intend to sell to them thereunder. However, as the A/R that we offer to sell under these programs are largely from customers we deem to be credit-worthy, we believe that such offers will continue to be accepted notwithstanding the current environment. See "Summary of Q1 2021" for a description of A/R amounts sold under these arrangements during recent periods.

The timing and the amounts we borrow and repay under our Revolver and overdraft facilities, or sell under the SFPs or our A/R sales program, can vary significantly from month-to-month depending on our working capital and other cash requirements. We may increase the amounts we offer to sell under our A/R sales program in future periods as a cost-effective alternative to drawing amounts on our Revolver to meet our ordinary course cash requirements.

Our strategy on capital risk management has not changed significantly since the end of 2020. Other than the restrictive and financial covenants associated with our Credit Facility noted above, we are not subject to any contractual or regulatory capital requirements. While some of our international operations are subject to government restrictions on the flow of capital into and out of their jurisdictions, these restrictions have not had a material impact on our operations or cash flows.

Financial instruments:

Our short-term investment objectives are to preserve principal and to maximize yields without significantly increasing risk, while at the same time not materially restricting our short-term access to cash.

The majority of our cash balances are held in U.S. dollars. We price the majority of our products in U.S. dollars and the majority of our materials costs are also denominated in U.S. dollars. However, a significant portion of our non-materials costs (including payroll, pensions, site costs and costs of locally sourced supplies and inventory) are denominated in various other currencies. As a result, we may experience foreign exchange gains or losses on translation or transactions due to currency fluctuations. We have a foreign exchange risk management policy in place to govern our hedging activities. We do not enter

into speculative trades. Our current hedging activity is designed to reduce the variability of our foreign currency costs where we have local manufacturing operations. We enter into foreign currency forward contracts to hedge our cash flow exposures and foreign currency swaps to hedge our balance sheet exposures. Balance sheet hedges are based on our forecasts of the future position of net monetary assets or liabilities denominated in foreign currencies and, therefore, may not mitigate the full impact of any translation impacts in the future. There can be no assurance that our hedging transactions will be successful in mitigating our foreign exchange risk. See note 10 to our Q1 2021 Interim Financial Statements for a listing of our foreign currency forwards and swaps to trade U.S. dollars in exchange for specified currencies at March 31, 2021. These contracts, which generally extend for periods of up to 13 months, will expire by the second quarter of 2022. The fair value of the outstanding contracts at March 31, 2021 was a net unrealized gain of \$3.9 million (December 31, 2020 — net unrealized gain of \$23.3 million), resulting from fluctuations in foreign exchange rates between the contract execution and the period-end date.

Financial risks:

Except as set forth below, there have been no material changes to our primary market risk exposures or our management of such exposures during Q1 2021 from the description set forth in note 21 to our 2020 AFS and Item 5, Operating and Financial Review and Prospects, "Capital Resources — Financial Risks" of the 2020 20-F, including with respect to the anticipated cessation of LIBOR. See note 2 to the Q1 2021 Interim Financial Statements for a description of our adoption of Interest Rate Benchmark Reform - Phase 2 as of January 1, 2021. As applicable interest rate benchmarks in the Company's agreements have not yet been replaced, the adoption of this standard had no impact on the Q1 2021 Interim Financial Statements.

Interest rate risk: Borrowings under the Credit Facility bear interest at specified rates, plus specified margins (described in note 12 to the 2020 AFS), and expose us to interest rate risk due to the potential variability of market interest rates. In order to partially hedge against our exposure to interest rate variability on our Term Loans, we have entered into various agreements with third-party banks to swap the variable interest rate (based on LIBOR plus a margin) with a fixed rate of interest for a portion of the borrowings under our Term Loans (described above). A one-percentage point increase in relevant interest rates would increase interest expense, based on outstanding borrowings under the Credit Facility at March 31, 2021, by \$1.7 million annually, including the impact of our interest rate swap agreements, and by \$4.4 million annually, without accounting for such agreements. At March 31, 2021, the fair value of our interest rate swap agreements was a net unrealized loss of \$13.2 million, consisting of an unrealized gain of \$0.3 million for certain of our swaps, which we recorded in other non-current assets, and an unrealized loss of \$13.5 million for the remainder (December 31, 2020 — unrealized loss of \$16.5 million), which we recorded in other non-current liabilities on our consolidated balance sheet. The change in the fair value of the swaps is a result of the recent increases in the forward interest rates compared to our fixed rates. An increase in forward interest rates would cause a further reduction in the amount of the loss.

Related Party Transactions

Onex Corporation (Onex) beneficially owns, controls, or directs, directly or indirectly, all of our outstanding multiple voting shares (MVS). Accordingly, Onex has the ability to exercise significant influence over our business and affairs and generally has the power to determine all matters submitted to a vote of our shareholders where the SVS and MVS vote together as a single class. Mr. Gerald Schwartz, the Chairman of the Board and Chief Executive Officer of Onex, indirectly owns shares representing the majority of the voting rights of the shares of Onex.

Onex has entered into an agreement with Celestica and with Computershare Trust Company of Canada (as successor to the Montreal Trust Company of Canada), as trustee for the benefit of the holders of the SVS, to ensure that such holders will not be deprived of any rights under applicable take-over bid legislation to which they would be otherwise entitled in the event of a take-over bid (as defined in such legislation) if MVS and SVS were of a single class of shares.

We are party to a Services Agreement with Onex for the services of Mr. Tawfiq Popatia, an officer of Onex, as a director of Celestica, pursuant to which Onex receives an annual fee of \$235,000, payable in DSUs in equal quarterly installments in arrears, as compensation for such services.

A consortium of four real estate partnerships, approximately 27% of the interests of which are held by a privately held partnership in which Mr. Schwartz has a material interest; and approximately 25% of the interests of which are held by a partnership in which Mr. Schwartz has a non-voting interest, holds a 5% non-voting interest in the purchaser of our Toronto real property.

See Item 5, Operating and Financial Review and Prospects, "Related Party Transactions" of our 2020 20-F for further detail.

Outstanding Share Data

As of April 23, 2021, we had 109,823,413 outstanding SVS and 18,600,193 outstanding MVS. As of such date, we also had 345,577 outstanding stock options, 5,148,170 outstanding RSUs, 5,068,335 outstanding PSUs assuming vesting of 100% of the target amount granted (PSUs that will vest range from 0% to 200% of the target amount granted), and 2,120,784 outstanding DSUs; each vested option or unit entitling the holder thereof to receive one SVS (or in certain cases, cash) pursuant to the terms thereof, subject to certain time or performance-based vesting conditions.

Controls and Procedures

Evaluation of disclosure controls and procedures:

Our management is responsible for establishing and maintaining a system of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the U.S. Exchange Act) designed to ensure that information we are required to disclose in the reports that we file or submit under the U.S. Exchange Act is recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the U.S. Exchange Act is accumulated and communicated to the issuer's management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

Management, under the supervision of and with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2021. Based on that evaluation, our principal executive officer and principal financial officer have concluded that, as of March 31, 2021, our disclosure controls and procedures are effective to meet the requirements of Rules 13a-15(e) and 15d-15(e) under the U.S. Exchange Act.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that its objectives are met. Due to inherent limitations in all such systems, no evaluation of controls can provide absolute assurance that all control issues within a company have been detected. Accordingly, our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our disclosure control system are met.

Changes in internal control over financial reporting:

We did not identify any change in our internal control over financial reporting in connection with our evaluation thereof that occurred during the quarter ended March 31, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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

	2019			2020				2021
	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter
Revenue	\$ 1,445.6	\$ 1,517.9	\$ 1,491.7	\$1,318.6	\$1,492.4	\$1,550.5	\$1,386.6	\$1,234.9
Gross margin	6.8 %	6.4 %	6.8 %	6.9 %	7.3 %	8.0 %	8.2 %	8.2 %
Net earnings (loss)	\$ (6.1)	\$ (6.9)	\$ (7.0)	\$ (3.2)	\$ 13.3	\$ 30.4	\$ 20.1	\$ 10.5
Weighted average # of basic shares	131.1	128.5	128.5	129.0	129.1	129.1	129.1	128.9
Weighted average # of diluted shares	131.1	128.5	128.5	129.0	129.1	129.1	129.1	129.0
# of shares outstanding	128.4	128.4	128.8	129.1	129.1	129.1	129.1	128.4
IFRS earnings per share (EPS):								
basic	\$ (0.05)	\$ (0.05)	\$ (0.05)	\$ (0.02)	\$ 0.10	\$ 0.24	\$ 0.16	\$ 0.08
diluted	\$ (0.05)	\$ (0.05)	\$ (0.05)	\$ (0.02)	\$ 0.10	\$ 0.24	\$ 0.16	\$ 0.08

* All quarters in the table above have been impacted by restructuring charges, the amounts of which vary from quarter-to-quarter.

Q1 2021 compared to Q4 2020:

Revenue for Q1 2021 decreased \$151.7 million or 11% compared to Q4 2020 primarily due to revenue declines in our CCS segment. Compared to the previous quarter, ATS segment revenue increased \$18.1 million (4%) primarily due to revenue growth in our HealthTech and Capital Equipment businesses (aggregate of 15%), offset in part by moderate declines in our A&D and Industrial businesses. CCS segment revenue decreased \$169.8 million (19%) in Q1 2021 compared to Q4 2020 primarily as a result of seasonality and the Cisco Disengagement. Communications end market revenue decreased \$94.4 million (16%) sequentially, mainly driven by seasonality and the Cisco Disengagement (Cisco represented 3% of Q4 2020 revenue or approximately \$40 million). Enterprise end market revenue decreased \$75.4 million (27%) sequentially, reflecting seasonal demand softness across a number of customers and program specific demand softness. The adverse revenue impact in Q1 2021 due to COVID-19-related materials constraints was \$12 million (Q4 2020 — \$9 million). We also incurred approximately \$1.5 million of COVID-19 Costs, net of COVID Recoveries in Q1 2021 (Q4 2020 — approximately \$2 million of COVID Recoveries, net of COVID-19 Costs). Gross profit for Q1 2021 decreased sequentially by \$12.3 million (11%), resulting primarily from the decrease in revenue. Gross margin remained flat at 8.2% for Q4 2020 and Q1 2021, primarily reflecting productivity efforts and improved mix, despite lower CCS segment revenue. CCS segment income for Q1 2021 of \$22.0 million decreased \$8.0 million from Q4 2020 and CCS segment margin decreased sequentially from 3.4% in Q4 2020 to 3.1% for Q1 2021, as a result of lower volumes due to seasonal demand dynamics, partly offset by favorable mix. ATS segment income and margin for Q1 2021 of \$21.3 million (4.0% of ATS segment revenue) increased from \$20.0 million (3.9% of ATS segment revenue) in Q4 2020, reflecting improved performance across a number of businesses, more than offsetting reduced contribution from our A&D business. Net earnings for Q1 2021 of \$10.5 million represented a \$9.6 million reduction compared to net earnings of \$20.1 million for Q4 2020, primarily due to the lower gross profit described above.

Select Q1 2021 Results

	Q1 2021 Actual ⁽¹⁾	Q1 2021 Guidance
IFRS revenue (in billions)	\$1.23	\$1.175 to \$1.275
IFRS EPS ⁽¹⁾	\$0.08	N/A
IFRS earnings before income taxes as a % of revenue	1.3%	N/A
Non-IFRS operating margin	3.5%	3.4% at the mid-point of our revenue and non-IFRS adjusted EPS guidance ranges
IFRS SG&A (in millions)	\$58.8	N/A
Non-IFRS adjusted SG&A (in millions)	\$53.6	\$51 to \$53
Non-IFRS adjusted EPS	\$0.22	\$0.18 to \$0.24

(1) IFRS EPS of \$0.08 for Q1 2021 included an aggregate charge of \$0.16 (pre-tax) per share for employee SBC expense, amortization of intangible assets (excluding computer software), and restructuring charges. See "Operating Results" above for per-item charges. This aggregate charge was within our Q1 2021 guidance range of between \$0.12 and \$0.18 per share for these items.

For Q1 2021, our revenue and non-IFRS adjusted EPS were above the mid-point of our guidance ranges, and non-IFRS adjusted SG&A was \$0.6 million above our guidance range as a result of higher-than-anticipated variable spend. Non-IFRS operating margin for Q1 2021 was above the mid-point of our revenue and non-IFRS adjusted EPS guidance ranges. Our non-IFRS adjusted effective tax rate for Q1 2021 was 21% (compared to our anticipated estimate of approximately 20%).

Non-IFRS Financial Measures

Management uses adjusted net earnings and the other non-IFRS financial measures described herein (i) to assess operating performance and the effective use and allocation of resources, (ii) to provide more meaningful period-to-period comparisons of operating results, (iii) to enhance investors' understanding of the core operating results of our business, and (iv) to set management incentive targets. We believe the non-IFRS financial measures we present herein are useful to investors, as they enable investors to evaluate and compare our results from operations in a more consistent manner (by excluding specific items that we do not consider to be reflective of our ongoing operating results), to evaluate cash resources that we generate from our business each period, and to 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 tax expense and a non-IFRS adjusted effective tax rate provide improved insight into the tax effects of our ongoing operations, and are 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 our ongoing operations. We believe investors use both IFRS and non-IFRS financial 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.

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

In addition to cash cycle days (including the components thereof) and inventory turns (each described under the caption "Other Performance Indicators" above), which have no defined meanings under IFRS, we use the following non-IFRS financial measures: adjusted gross profit, adjusted gross margin (adjusted gross profit as a percentage of revenue), adjusted SG&A, adjusted SG&A as a percentage of revenue, operating earnings (adjusted EBIAT), operating margin (operating earnings or adjusted EBIAT as a percentage of revenue), adjusted net earnings, adjusted EPS, adjusted ROIC, free cash flow, adjusted tax expense and adjusted effective tax rate. Adjusted EBIAT, adjusted ROIC, free cash flow, adjusted tax expense 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 SBC expense, amortization of intangible assets (excluding computer software), Other Charges, net of recoveries (defined below), and acquisition inventory fair value adjustments, all net of the associated tax adjustments (which are set forth in the table below), and non-core tax impacts (tax adjustments related to acquisitions, and certain other tax costs or recoveries related to restructuring actions or restructured sites).

The economic substance of these exclusions (where applicable to the periods presented) and management's rationale for excluding them from non-IFRS financial measures is provided below:

Employee SBC expense, which represents the estimated fair value of stock options, RSUs and PSUs granted to employees, is excluded because grant activities vary significantly from quarter-to-quarter in both quantity and fair value. In addition, excluding this expense allows us to better compare core operating results with those of our competitors who also generally exclude employee SBC expense in assessing operating performance, who may have different granting patterns and types of equity awards, and who may use different valuation assumptions than we do.

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

Other Charges, net of recoveries, consist of, when applicable: Restructuring Charges, net of recoveries (defined below); Transition Costs (defined below); net Impairment charges (defined below); consulting, transaction and integration costs relating to potential and completed acquisitions, and charges or releases related to the subsequent re-measurement of indemnification assets or the release of indemnification or other liabilities recorded in connection with our acquisition of Impakt (such releases were first recorded in Q1 2021) (collectively, Acquisition Costs (Recoveries)); legal settlements (recoveries); credit facility-related charges; and post-employment benefit plan losses. We exclude these 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 or incurrence of the relevant costs. Our competitors may record similar charges at different times, and we believe these exclusions permit a better comparison of our core operating results with those of our competitors who also generally exclude these types of charges, net of recoveries, in assessing operating performance.

Restructuring Charges, net of recoveries, consist of 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, and reductions in infrastructure.

Transition Costs consist of: (i) costs recorded in connection with the relocation of our Toronto manufacturing operations, and the move of our corporate headquarters into and out of a temporary location during, and upon completion, of the construction of space in a new office building at our former location (all in connection with the sale of our Toronto real property) (collectively, Toronto Transition Costs) and (ii) costs recorded in connection with the transfer of manufacturing lines from closed sites to other sites within our global network (Internal Relocation Costs). Transition Costs consist of direct relocation and duplicate costs (such as rent expense, utility costs, depreciation charges, and personnel costs) incurred during the transition periods, as well as cease-use costs incurred in connection with idle or vacated portions of the relevant premises that we would not have incurred but for these relocations and transfers. We believe that excluding these costs permits a better comparison of our core operating results from period-to-period, as these costs will not reflect our ongoing operations once these relocations and manufacturing line transfers are complete.

Impairment charges, which consist of non-cash charges against goodwill, intangible assets, property, plant and equipment, and ROU assets, result primarily when the carrying value of these assets exceeds their recoverable amount.

Acquisition inventory fair value adjustments relate to the write-up of the inventory acquired in connection with our acquisitions, representing the difference between the cost and fair value of such inventory. We exclude the impact of the recognition of these adjustments, when incurred, because we believe such exclusion permits a better comparison of our core operating results from period-to-period, as their impact is not indicative of our ongoing operating performance.

Non-core tax impacts are excluded, as we believe that these costs or recoveries do not reflect core operating performance and vary significantly among those of our competitors who also generally exclude these costs or recoveries in assessing operating performance.

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

	Three months ended March 31			
	2020		2021	
		% of revenue		% of revenue
IFRS revenue	\$ 1,318.6		\$ 1,234.9	
IFRS gross profit	\$ 91.0	6.9 %	\$ 101.5	8.2 %
Employee SBC expense	4.8		4.9	
Non-IFRS adjusted gross profit	\$ 95.8	7.3 %	\$ 106.4	8.6 %
IFRS SG&A	\$ 56.4	4.3 %	\$ 58.8	4.8 %
Employee SBC expense	(6.5)		(5.2)	
Non-IFRS adjusted SG&A	\$ 49.9	3.8 %	\$ 53.6	4.3 %
IFRS earnings before income taxes	\$ 2.3	0.2 %	\$ 15.7	1.3 %
Finance costs	10.8		8.0	
Employee SBC expense	11.3		10.1	
Amortization of intangible assets (excluding computer software)	5.7		4.9	
Other Charges	8.0		4.6	
Non-IFRS operating earnings (adjusted EBIAT) ⁽¹⁾	\$ 38.1	2.9 %	\$ 43.3	3.5 %
IFRS net earnings (loss)	\$ (3.2)	(0.2) %	\$ 10.5	0.9 %
Employee SBC expense	11.3		10.1	
Amortization of intangible assets (excluding computer software)	5.7		4.9	
Other Charges	8.0		4.6	
Adjustments for taxes ⁽²⁾	(1.1)		(2.3)	
Non-IFRS adjusted net earnings	\$ 20.7		\$ 27.8	
Diluted EPS				
Weighted average # of shares (in millions) *	129.0		129.0	
IFRS earnings (loss) per share *	\$ (0.02)		\$ 0.08	
Non-IFRS adjusted earnings per share	\$ 0.16		\$ 0.22	
# of shares outstanding at period end (in millions)	129.1		128.4	
IFRS cash provided by operations	\$ 83.3		\$ 48.8	
Purchase of property, plant and equipment, net of sales proceeds	(12.2)		(12.6)	
Lease payments ⁽³⁾	(8.4)		(9.6)	
Finance costs paid (excluding debt issuance costs paid) ⁽³⁾	(8.9)		(5.7)	
Non-IFRS free cash flow ⁽³⁾	\$ 53.8		\$ 20.9	
IFRS ROIC % ⁽⁴⁾	0.6 %		3.9 %	
Non-IFRS adjusted ROIC % ⁽⁴⁾	9.5 %		10.8 %	

IFRS earnings (loss) per diluted share is calculated by dividing IFRS net earnings (loss) by the number of diluted weighted average shares outstanding (DWAS). In order to calculate IFRS loss per diluted share for Q1 2020, we used a DWAS of 129.0 million as at March 31, 2020. Because we reported a net loss on an IFRS basis in Q1 2020, the DWAS for such period-end excluded 0.2 million subordinate voting shares underlying in-the-money stock-based awards, as including these shares would be anti-dilutive. However, we included these shares in the DWAS used to calculate non-IFRS adjusted earnings (per diluted share) for Q1 2020, because such shares were dilutive in relation to this non-IFRS financial measure.

Management uses non-IFRS operating earnings (adjusted EBIAT) as a measure to assess performance related to our core operations. Non-IFRS adjusted EBIAT is defined as earnings (loss) before income taxes, finance costs (defined below), employee SBC expense, amortization of intangible assets (excluding computer software), Other Charges (recoveries) (defined above), and in applicable periods, acquisition inventory fair value adjustments. Finance costs consist of interest expense and fees related to our credit facility (including debt issuance and related amortization costs), our interest rate swap agreements, our accounts receivable sales program and customers' supplier financing programs, and interest expense on our lease obligations, net of interest income earned. See "Operating Results — Other charges" for separate quantification and discussion of the components of Other Charges.

The adjustments for taxes, as applicable, represent the tax effects of our non-IFRS adjustments and non-core tax impacts (see below).

The following table sets forth a reconciliation of our IFRS tax expense and IFRS effective tax rate to our non-IFRS adjusted tax expense and our non-IFRS adjusted effective tax rate for the periods indicated, in each case determined by excluding the tax benefits or costs associated with the listed items (in millions, except percentages) from our IFRS tax expense for such periods:

	Three months ended			
	2020		2021	
		Effective tax rate		Effective tax rate
IFRS tax expense and IFRS effective tax rate	\$ 5.5	239 %	\$ 5.2	33 %
Tax costs (benefits) of the following items excluded from IFRS tax expense:				
Employee SBC expense	0.3		0.9	
Other Charges	0.4		0.3	
Non-core tax impacts related to tax uncertainties*	0.4		—	
Non-core tax impact related to restructured sites**	—		1.1	
Non-IFRS adjusted tax expense and non-IFRS adjusted effective tax rate	<u>\$ 6.6</u>	24 %	<u>\$ 7.5</u>	21 %

* Consists of the reversal of certain tax uncertainties related to a prior acquisition that became statute-barred in Q1 2020.

** Consists of the reversals of tax uncertainties related to one of our Asian subsidiaries that completed its liquidation and dissolution during Q1 2021.

Management uses non-IFRS free cash flow as a measure, in addition to IFRS cash 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), lease payments and finance costs paid (excluding any debt issuance costs and when applicable, waiver fees related to our credit facility). We do not consider debt issuance costs (nil paid in Q1 2021; \$0.3 million paid in Q1 2020) or such waiver fees (when applicable) to be part of our core operating expenses. As a result, these costs are excluded from total finance costs paid in our determination of non-IFRS free cash flow. Note, however, that non-IFRS free cash flow does not represent residual cash flow available to Celestica for discretionary expenditures.

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. 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) is defined as total assets less: cash, ROU assets, accounts payable, accrued and other current liabilities, provisions, and income taxes payable. We use a two-point average to calculate average net invested capital for the quarter. A comparable measure under IFRS would be determined by dividing IFRS earnings (loss) before income taxes by average 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	
	March 31	
	2020	2021
IFRS earnings before income taxes	\$ 2.3	\$ 15.7
Multiplier to annualize earnings	4	4
Annualized IFRS earnings before income taxes	\$ 9.2	\$ 62.8
Average net invested capital for the period	\$ 1,603.4	\$ 1,609.8
IFRS ROIC % ⁽¹⁾	0.6 %	3.9 %

	Three months ended	
	March 31	
	2020	2021
Non-IFRS operating earnings (adjusted EBIAT)	\$ 38.1	\$ 43.3
Multiplier to annualize earnings	4	4
Annualized non-IFRS adjusted EBIAT	\$ 152.4	\$ 173.2
Average net invested capital for the period	\$ 1,603.4	\$ 1,609.8
Non-IFRS adjusted ROIC % ⁽¹⁾	9.5 %	10.8 %

	December 31	March 31
	2020	2021
Net invested capital consists of:		
Total assets	\$ 3,664.1	\$ 3,553.4
Less: cash	463.8	449.4
Less: ROU assets	101.0	98.4
Less: accounts payable, accrued and other current liabilities, provisions and income taxes payable	1,478.4	1,407.0
Net invested capital at period end ⁽¹⁾	\$ 1,620.9	\$ 1,598.6

	December 31	March 31
	2019	2020
Net invested capital consists of:		
Total assets	\$ 3,560.7	\$ 3,537.8
Less: cash	479.5	472.1
Less: ROU assets	104.1	96.9
Less: accounts payable, accrued and other current liabilities, provisions and income taxes payable	1,341.7	1,397.5
Net invested capital at period end ⁽¹⁾	\$ 1,635.4	\$ 1,571.3

⁽¹⁾ See footnote 4 of the previous table.

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

	Note	December 31 2020	March 31 2021
Assets			
Current assets:			
Cash and cash equivalents		\$ 463.8	\$ 449.4
Accounts receivable	4	1,093.4	965.0
Inventories	5	1,091.5	1,153.6
Income taxes receivable		6.8	6.6
Other current assets		81.7	66.2
Total current assets		2,737.2	2,640.8
Property, plant and equipment		332.5	325.1
Right-of-use assets		101.0	98.4
Goodwill		198.6	198.4
Intangible assets		229.4	224.6
Deferred income taxes		39.9	41.4
Other non-current assets		25.5	24.7
Total assets		<u>\$ 3,664.1</u>	<u>\$ 3,553.4</u>
Liabilities and Equity			
Current liabilities:			
Current portion of borrowings under credit facility and lease obligations	6	\$ 99.8	\$ 83.6
Accounts payable		854.5	857.9
Accrued and other current liabilities	5	553.1	486.8
Income taxes payable		51.8	44.9
Current portion of provisions		19.0	17.4
Total current liabilities		1,578.2	1,490.6
Long-term portion of borrowings under credit facility and lease obligations	6	486.1	469.7
Pension and non-pension post-employment benefit obligations		117.3	114.8
Provisions and other non-current liabilities		41.2	40.0
Deferred income taxes		32.3	27.7
Total liabilities		2,255.1	2,142.8
Equity:			
Capital stock	7	1,834.2	1,824.1
Treasury stock	7	(15.7)	(2.5)
Contributed surplus		974.5	973.5
Deficit		(1,368.8)	(1,358.3)
Accumulated other comprehensive loss		(15.2)	(26.2)
Total equity		1,409.0	1,410.6
Total liabilities and equity		<u>\$ 3,664.1</u>	<u>\$ 3,553.4</u>

Commitments and Contingencies (note 12).

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)

	Note	Three months ended March 31	
		2020	2021
Revenue	3	\$ 1,318.6	\$ 1,234.9
Cost of sales	5	1,227.6	1,133.4
Gross profit		91.0	101.5
Selling, general and administrative expenses (SG&A)		56.4	58.8
Research and development		6.8	8.8
Amortization of intangible assets		6.7	5.6
Other charges	8	8.0	4.6
Earnings from operations		13.1	23.7
Finance costs		10.8	8.0
Earnings before income taxes		2.3	15.7
Income tax expense (recovery)	9		
Current		3.8	10.7
Deferred		1.7	(5.5)
		5.5	5.2
Net earnings (loss) for the period		<u>\$ (3.2)</u>	<u>\$ 10.5</u>
Basic earnings (loss) per share		\$ (0.02)	\$ 0.08
Diluted earnings (loss) per share		\$ (0.02)	\$ 0.08
Shares used in computing per share amounts (in millions):			
Basic		129.0	128.9
Diluted		129.0	129.0

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

CELESTICA INC.
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS
(in millions of U.S. dollars)
(unaudited)

	Three months ended	
	March 31	
	2020	2021
Net earnings (loss) for the period	\$ (3.2)	\$ 10.5
Other comprehensive income (loss), net of tax:		
Items that may be reclassified to net earnings (loss):		
Currency translation differences for foreign operations	(1.2)	(4.4)
Changes from currency forward derivatives designated as hedges	(15.7)	(9.9)
Changes from interest rate swap derivatives designated as hedges	(8.9)	3.3
Total comprehensive loss for the period	\$ (29.0)	\$ (0.5)

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)

	Note	Capital stock (note 7)	Treasury stock (note 7)	Contributed surplus	Deficit	Accumulated other comprehensive loss ^(a)	Total equity
Balance -- January 1, 2020		\$ 1,832.1	\$ (14.8)	\$ 982.6	\$ (1,420.1)	\$ (23.6)	\$ 1,356.2
Capital transactions	7						
Issuance of capital stock		2.2	—	(2.2)	—	—	—
Equity-settled stock-based compensation (SBC)		—	13.7	(2.0)	—	—	11.7
Total comprehensive income (loss):							
Net loss for the period		—	—	—	(3.2)	—	(3.2)
Other comprehensive loss, net of tax:							
Currency translation differences for foreign operations		—	—	—	—	(1.2)	(1.2)
Changes from currency forward derivatives designated as hedges		—	—	—	—	(15.7)	(15.7)
Changes from interest rate swap derivatives designated as hedges		—	—	—	—	(8.9)	(8.9)
Balance -- March 31, 2020		<u>\$ 1,834.3</u>	<u>\$ (1.1)</u>	<u>\$ 978.4</u>	<u>\$ (1,423.3)</u>	<u>\$ (49.4)</u>	<u>\$ 1,338.9</u>
Balance -- January 1, 2021		\$ 1,834.2	\$ (15.7)	\$ 974.5	\$ (1,368.8)	\$ (15.2)	\$ 1,409.0
Capital transactions	7						
Repurchase of capital stock for cancellation ^(b)		(10.1)	—	1.7	—	—	(8.4)
Equity-settled SBC		—	13.2	(2.7)	—	—	10.5
Total comprehensive income (loss):							
Net earnings for the period		—	—	—	10.5	—	10.5
Other comprehensive income (loss), net of tax:							
Currency translation differences for foreign operations		—	—	—	—	(4.4)	(4.4)
Changes from currency forward derivatives designated as hedges		—	—	—	—	(9.9)	(9.9)
Changes from interest rate swap derivatives designated as hedges		—	—	—	—	3.3	3.3
Balance -- March 31, 2021		<u>\$ 1,824.1</u>	<u>\$ (2.5)</u>	<u>\$ 973.5</u>	<u>\$ (1,358.3)</u>	<u>\$ (26.2)</u>	<u>\$ 1,410.6</u>

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

(b) Includes an accrual of \$18.1 for the contractual maximum number of permitted subordinate voting share (SVS) repurchases as of March 31, 2021 under an automatic share purchase plan (ASPP) executed in March 2021, as well as a \$15.0 reversal in the first quarter of 2021 of a prior accrual for the contractual maximum of SVS repurchases permitted as of December 31, 2020 under an ASPP executed in December 2020. No SVS repurchases were made under the December 2020 ASPP prior to its expiration in January 2021 (see note 7).

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)

	Note	Three months ended March 31	
		2020	2021
Cash provided by (used in):			
Operating activities:			
Net earnings (loss) for the period		\$ (3.2)	\$ 10.5
Adjustments to net earnings (loss) for items not affecting cash:			
Depreciation and amortization		31.4	30.3
Equity-settled SBC expense	7	11.3	10.1
Other charges (recoveries)	8	1.5	(1.1)
Finance costs		10.8	8.0
Income tax expense		5.5	5.2
Other		7.4	5.6
Changes in non-cash working capital items:			
Accounts receivable		68.1	128.4
Inventories		(80.2)	(62.1)
Other current assets		—	(1.7)
Accounts payable, accrued and other current liabilities and provisions		39.3	(67.3)
Non-cash working capital changes		27.2	(2.7)
Net income tax paid		(8.6)	(17.1)
Net cash provided by operating activities		83.3	48.8
Investing activities:			
Purchase of computer software and property, plant and equipment		(12.3)	(12.6)
Proceeds related to the sale of assets		0.1	—
Net cash used in investing activities		(12.2)	(12.6)
Financing activities:			
Repayments under credit facility	6	(60.9)	(30.0)
Payment of lease obligations		(8.4)	(9.6)
Repurchase of capital stock for cancellation	7	—	(5.3)
Finance costs paid	6	(9.2)	(5.7)
Net cash used in financing activities		(78.5)	(50.6)
Net decrease in cash and cash equivalents		(7.4)	(14.4)
Cash and cash equivalents, beginning of period		479.5	463.8
Cash and cash equivalents, end of period		\$ 472.1	\$ 449.4

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 Ontario with its corporate headquarters located in Toronto, Ontario, Canada. Celestica's subordinate voting shares (SVS) are listed on the Toronto Stock Exchange (TSX) and the New York Stock Exchange (NYSE).

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance:

These unaudited interim condensed consolidated financial statements for the quarter ended March 31, 2021 (Q1 2021 Interim Financial Statements) have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*, and the accounting policies we have adopted in accordance with International Financial Reporting Standards (IFRS), in each case as issued by the International Accounting Standards Board (IASB), and reflect all adjustments that are, in the opinion of management, necessary to present fairly our financial position as at March 31, 2021 and our financial performance, comprehensive loss and cash flows for the three months ended March 31, 2021 (Q1 2021). The Q1 2021 Interim Financial Statements should be read in conjunction with our 2020 annual audited consolidated financial statements (2020 AFS), which are included in our Annual Report on Form 20-F for the year ended December 31, 2020. The Q1 2021 Interim Financial Statements are presented in United States (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).

The Q1 2021 Interim Financial Statements were authorized for issuance by our board of directors on April 28, 2021.

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 related disclosures with respect to contingent assets and liabilities. We base our judgments, estimates and assumptions on current facts, historical experience and various other factors that we believe are reasonable under the circumstances. The economic environment could also impact certain estimates and discount rates necessary to prepare our consolidated financial statements. Our assessment of these factors forms the basis for our judgments on the carrying values of our assets and liabilities, and the accrual of our costs and expenses. Actual results could differ materially from our 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 also impact future periods.

Coronavirus disease 2019 and related mutations (COVID-19) continue to create economic and business uncertainties. As a result, our review of the estimates, judgments and assumptions used in the preparation of the Q1 2021 Interim Financial Statements included consideration of actual and potential impacts of COVID-19, including with respect to, among other things: the determination of whether indicators of impairment existed for our assets and cash generating units (CGUs¹), our estimated inventory provisions and expected credit losses, customer credit, and our eligibility for COVID-19-related government subsidies, grants and/or credits recognized during Q1 2021 (see note 11). Any revisions to estimates, judgments or assumptions (due to COVID-19 or otherwise) may result in, among other things, write-downs or impairments to our assets or CGUs, and/or adjustments to the carrying amount of our accounts receivable (A/R) and/or inventories, or to the valuation of our deferred tax assets, any of which could have a material impact on our financial performance and financial condition. However, we determined that no significant revisions to our estimates, judgments or assumptions were required for Q1 2021 as a result of COVID-19 (or otherwise). While we continue to believe the COVID-19 pandemic to be temporary, the situation is dynamic and the impact of COVID-19 on our financial performance and financial condition, including its impact on overall customer

¹ CGUs are the smallest identifiable group of assets that cannot be tested individually and generate cash inflows that are largely independent of those of other assets or groups of assets, and can be comprised of a single site, a group of sites, or a line of business.

CELESTICA INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in millions of U.S. dollars, except percentages and per share amounts)
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demand, cannot be reasonably estimated at this time. However, we continue to believe that our long-term estimates and assumptions are appropriate.

Accounting policies:

The Q1 2021 Interim Financial Statements are based on accounting policies consistent with those described in note 2 to our 2020 AFS, and the recently adopted accounting standard discussed below.

Recently adopted accounting standard:

Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9 (Financial Instruments), IAS 39 (Financial Instruments: Recognition and Measurement), IFRS 7 (Financial Instruments: Disclosures), IFRS 4 (Insurance Contracts) and IFRS 16 (Leases)):

In August 2020, the IASB issued Interest Rate Benchmark Reform - Phase 2, which amends IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendments complement those issued in September 2019 and focus on the effects on financial statements when a company replaces a previous interest rate benchmark with an alternative benchmark rate as a result of Interbank Offered Rates (IBOR) reform. The Phase 2 amendments are effective for the Company's fiscal year commencing January 1, 2021, and we adopted the amendments as of such date. As of March 31, 2021, applicable interest rate benchmarks in the Company's agreements have not been replaced. As a result, the adoption of the Phase 2 amendments had no impact on the Q1 2021 Interim Financial Statements. We will continue to monitor relevant developments and will evaluate the impact of the Phase 2 amendments on our consolidated financial statements as IBOR reform progresses.

3. SEGMENT AND CUSTOMER REPORTING

Segments:

Celestica delivers innovative supply chain solutions globally to customers in two operating and reportable segments: Advanced Technology Solutions (ATS) and Connectivity & Cloud Solutions (CCS). Segment performance is evaluated based on segment revenue, segment income and segment margin (segment income as a percentage of segment revenue). See note 26 to our 2020 AFS for a description of the businesses that comprise our segments, and how segment revenue, segment income and segment margin are determined.

Information regarding the results of each reportable segment is set forth below:

Revenue by segment:

	Three months ended March 31			
	2020		2021	
		% of total		% of total
ATS	\$ 547.0	41%	\$ 531.3	43%
CCS	771.6	59%	703.6	57%
Communications end market revenue as a % of total revenue		39 %		40 %
Enterprise end market revenue as a % of total revenue		20 %		17 %
Total	<u>\$ 1,318.6</u>		<u>\$ 1,234.9</u>	

CELESTICA INC.
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Segment income, segment margin, and reconciliation of segment income to IFRS earnings before income taxes:

	Note	Three months ended March 31				
		2020		2021		
			Segment Margin		Segment Margin	
ATS segment income and margin	\$	14.7	2.7 %	\$	21.3	4.0 %
CCS segment income and margin		23.4	3.0 %		22.0	3.1 %
Total segment income		38.1			43.3	
Reconciling items:						
Finance costs		10.8			8.0	
Employee stock-based compensation (SBC) expense		11.3			10.1	
Amortization of intangible assets (excluding computer software)		5.7			4.9	
Other charges	8	8.0			4.6	
IFRS earnings before income taxes		\$ 2.3			\$ 15.7	

Customers:

We had no customers in Q1 2021 that individually represented 10% or more of total revenue. In the first quarter of 2020 (Q1 2020), we had one customer, Cisco Systems, Inc. (Cisco), a CCS segment customer, that individually represented 10% or more of total revenue. Our exit from programs with Cisco was completed in the fourth quarter of 2020.

Seasonality:

From time to time, we experience some level of seasonality in our quarterly revenue patterns across certain of our businesses. We also typically experience our lowest overall revenue levels during the first quarter of each year (there can be no assurance that this pattern will continue). The addition of new customers has also introduced different demand cycles from our existing customers, creating more volatility and unpredictability in our revenue patterns. These and other factors make it difficult to isolate the impact of seasonality on our business.

4. ACCOUNTS RECEIVABLE

Accounts receivable (A/R) sales program and supplier financing programs (SFPs):

We entered into an agreement in March 2020 with a third-party bank to sell up to \$300.0 in A/R on an uncommitted basis, subject to pre-determined limits by customer. This agreement has a one-year term, with automatic annual one-year extensions, and may be terminated at any time by the bank or by us upon 3 months' prior notice, or by the bank upon specified defaults. This agreement was automatically extended in March 2021. We are required to comply with covenants, including those relating to the fulfillment of payment obligations and restrictions on the sale, assignment or creation of liens, with respect to sold A/R. At March 31, 2021, we were in compliance with these covenants (December 31, 2020 — in compliance). Under our A/R sales program, we continue to collect cash from our customers and remit amounts collected to the bank weekly.

In addition, we participate in two SFPs (one with a CCS segment customer and one with an ATS segment customer), pursuant to which we sell A/R from the relevant customer to third-party banks on an uncommitted basis. The SFPs have an indefinite term and may be terminated at any time by the customer or by us upon specified prior notice. Under our SFPs, the third-party banks collect the relevant receivables directly from the customers.

At March 31, 2021, we sold \$92.2 of A/R under our A/R sales program (December 31, 2020 — \$119.7) and \$84.5 of A/R (December 31, 2020 — \$65.3) under the SFPs. We utilize the SFPs to substantially offset the effect of extended payment terms required by these customers on our working capital for the period.

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The A/R sold under these programs are de-recognized from our A/R balance, 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 A/R to the banks. A/R are sold net of discount charges, which are recorded as finance costs in our consolidated statement of operations.

Contract assets:

At March 31, 2021, our A/R balance included \$201.7 of contract assets (December 31, 2020 — \$231.8) recognized as revenue in accordance with our revenue recognition accounting policy.

5. INVENTORIES

We record inventory provisions, net of valuation recoveries, in cost of sales. Inventory provisions reflect write-downs in the value of our inventory to net realizable value, and valuation recoveries primarily reflect gains on the disposition of previously written-down inventory. We recorded net inventory provisions of \$2.4 for Q1 2021, primarily with respect to aged and excess inventory (\$2.6 for Q1 2020, primarily with respect to aged inventory), the majority of which in both periods related to customers in our ATS segment. We regularly review the estimates and assumptions we use to value our inventory through analysis of historical performance, current conditions and future expectations.

Certain of our contracts provide for customer cash deposits to cover our risk of excess and obsolete inventory and/or for working capital requirements. Such deposits as of March 31, 2021 totaled \$190.3 (December 31, 2020 — \$174.7) and were recorded in accrued and other current liabilities on our consolidated balance sheet.

6. CREDIT FACILITIES AND LEASE OBLIGATIONS

In June 2018, we entered into an \$800.0 credit agreement (Credit Facility) with Bank of America, N.A., as Administrative Agent, and the other lenders party thereto, which provides a \$350.0 term loan (Initial Term Loan) that matures in June 2025, and a \$450.0 revolving credit facility (Revolver) that matures in June 2023. In November 2018, we added an incremental term loan of \$250.0 (Incremental Term Loan) under the Credit Facility, that matures in June 2025. The Initial Term Loan and the Incremental Term Loan are collectively referred to as the Term Loans.

The Term Loans required aggregate quarterly principal repayments of \$1.5, and require a lump sum repayment of the remainder outstanding at maturity. Commencing in 2020, we are also required to make annual prepayments of outstanding obligations under the Credit Facility ranging from 0% — 50% (based on a defined leverage ratio) of specified excess cash flow for the prior fiscal year. A mandatory prepayment of our Term Loans of \$107.0 (ECF Amount) was required in the second quarter of 2020 (Q2 2020) under this provision, which we paid during the first and second quarters of 2020 (\$60.0 and \$47.0, respectively). No such prepayments based on 2020 excess cash flow will be required in 2021. In addition, prepayments of outstanding obligations under the Credit Facility may also be required in the amount of specified net cash proceeds received above a specified annual threshold. No Credit Facility prepayments based on net cash proceeds were or will be required during 2020 or 2021, respectively. Any outstanding amounts under the Revolver are due at maturity.

In Q1 2021, we repaid an aggregate of \$30.0 under our Incremental Term Loan. During Q1 2020, we made the scheduled quarterly principal repayment of \$0.875 under the Initial Term Loan, and also prepaid an aggregate of \$60.0 under the Incremental Term Loan. This prepayment was first applied to the Q1 2020 and all remaining scheduled quarterly principal repayments of the Incremental Term Loan prior to maturity, and thereafter to remaining principal amounts outstanding thereunder. This prepayment also reduced the ECF Amount due in Q2 2020 to \$47.0. In Q2 2020, we prepaid \$47.0 under the Initial Term Loan. This prepayment was first applied to the scheduled quarterly principal repayment for Q2 2020 and all remaining scheduled quarterly principal repayments of the Initial Term Loan prior to maturity, and thereafter to remaining principal amounts outstanding thereunder, and eliminated the remainder of the ECF Amount. Subsequent to this prepayment, we prepaid an additional \$14.0 under the Term Loans in June 2020. No further prepayments were required or made during 2020.

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At March 31, 2021, we were in compliance with all restrictive and financial covenants under the Credit Facility (December 31, 2020 — in compliance).

The following tables set forth, at the dates shown, outstanding borrowings under the Credit Facility, excluding ordinary course letters of credit (L/Cs), outstanding lease obligations, and information regarding outstanding L/Cs, surety bonds and overdraft facilities:

	Outstanding borrowings		Notional amounts under interest rate swaps (note 10)	
	December 31 2020	March 31 2021	December 31 2020	March 31 2021
Borrowings under the Revolver	\$ —	\$ —	\$ —	\$ —
Borrowings under the Term Loans:				
Initial Term Loan	\$ 295.4	\$ 295.4	\$ 175.0	\$ 175.0
Incremental Term Loan	175.0	145.0	100.0	100.0
Total	<u>\$ 470.4</u>	<u>\$ 440.4</u>	<u>\$ 275.0</u>	<u>\$ 275.0</u>
Total borrowings under Credit Facility	\$ 470.4	\$ 440.4		
Unamortized debt issuance costs related to our Term Loans	(7.2)	(6.7)		
Lease obligations	122.7	119.6		
	<u>\$ 585.9</u>	<u>\$ 553.3</u>		
Current and long-term portion of Credit Facility and lease obligations:				
Current portion	\$ 99.8	\$ 83.6		
Long-term portion	486.1	469.7		
	<u>\$ 585.9</u>	<u>\$ 553.3</u>		
L/Cs, surety bonds and overdraft facilities:				
Outstanding L/Cs under the Revolver	\$ 21.3	\$ 21.3		
Outstanding L/Cs and surety bonds outside the Revolver	20.2	18.9		
Total	<u>\$ 41.5</u>	<u>\$ 40.2</u>		
Available uncommitted bank overdraft facilities	\$ 162.7	\$ 162.7		
Amounts outstanding under available uncommitted bank overdraft facilities	\$ —	\$ —		

Finance costs consist of interest expense and fees related to our Credit Facility (including debt issuance and related amortization costs), our interest rate swap agreements, our A/R sales program and our SFPs, and interest expense on our lease obligations, net of interest income earned. We paid finance costs of \$5.7 in Q1 2021 (Q1 2020 — \$9.2).

CELESTICA INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in millions of U.S. dollars, except percentages and per share amounts)
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7. CAPITAL STOCK

SVS Repurchase Plans:

On November 19, 2020, the TSX accepted our notice to launch a normal course issuer bid (2020 NCIB), which allows us to repurchase, at our discretion, from November 24, 2020 until the earlier of November 23, 2021 or the completion of purchases thereunder, up to approximately 9.0 million SVS in the open market, or as otherwise permitted, subject to the normal terms and limitations of such bids. The maximum number of SVS we are permitted to repurchase for cancellation under the 2020 NCIB is reduced by the number of SVS purchased in the open market during the term of the 2020 NCIB to satisfy delivery obligations under our stock-based compensation (SBC) plans (see below). As part of the 2020 NCIB process, in March 2021, we entered into an Automatic Share Purchase Plan (ASPP) with a broker, which under current instructions allows the broker to purchase, on our behalf (for cancellation under the 2020 NCIB), including during any applicable trading blackout period, up to 100,000 SVS per day at specified prices through May 3, 2021. During Q1 2021, we paid \$5.3 (including transaction fees) to repurchase and cancel 0.6 million SVS at a weighted average price of \$8.35 per share (including 0.01 million SVS repurchased under the March 2021 ASPP). As of March 31, 2021, up to 8.4 million SVS remain available for repurchase under the 2020 NCIB either for cancellation or SBC delivery purposes. At March 31, 2021, we recorded an accrual of \$18.1, representing the contractual maximum number of additional permitted SVS repurchases through May 3, 2021 (2.2 million SVS) pursuant to current instructions under the March 2021 ASPP. At December 31, 2020, we recorded an accrual of \$15.0, representing the contractual maximum number of permitted SVS repurchases (2.0 million SVS) under a previous ASPP executed in December 2020. We reversed this accrual in Q1 2021, as no repurchases were made under such ASPP prior to its expiration in January 2021.

SVS repurchases:

Information regarding SVS repurchase activities for the periods indicated is set forth below*:

	Three months ended March 31	
	2020	2021
Aggregate cost ⁽¹⁾ of SVS repurchased for cancellation ⁽²⁾	\$ —	\$ 5.3
Number of SVS repurchased for cancellation (in millions) ⁽²⁾	—	0.6
Weighted average price per share for repurchases	\$ —	\$ 8.35

* No SVS were repurchased for delivery under stock-based compensation plans in either period.

⁽¹⁾ Includes transaction fees.

⁽²⁾ Excludes an accrual of \$18.1 we recorded as at March 31, 2021 for the contractual maximum number of permitted SVS repurchases as of March 31, 2021 under the March 2021 ASPP.

SBC:

From time to time, we pay cash to a broker to purchase SVS in the open market to satisfy delivery requirements under our SBC plans. At March 31, 2021, the broker held 0.4 million SVS with a value of \$2.5 (December 31, 2020 — 2.4 million SVS with a value of \$15.7) for this purpose, which we report as treasury stock on our consolidated balance sheet. We used 2.0 million of the SVS held as of December 31, 2020 to settle SBC awards that vested during Q1 2021.

We grant restricted share units (RSUs) and performance share units (PSUs) to employees under our SBC plans. The majority of RSUs vest one-third per year over a three-year period. The number of outstanding PSUs that will actually vest will vary from 0% to 200% of a target amount granted based on the level of achievement of a pre-determined non-market performance measurement in the final year of a three-year performance period, subject to modification by each of a separate pre-determined non-market financial target and our relative Total Shareholder Return (TSR) performance over the three-year vesting period. The portion of our expense that relates to performance-based compensation is subject to adjustment in any period to reflect changes in the estimated level of achievement of pre-determined goals and financial targets. We also grant deferred share units (DSUs) and RSUs (under specified circumstances) to directors as compensation under our Directors' Share Compensation Plan. See note 2(1) to the 2020 AFS for further detail.

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Information regarding RSU, PSU and DSU grants to employees and directors, as applicable, for the periods indicated is set forth below:

	Three months ended March 31	
	2020	2021
<i>RSUs Granted:</i>		
Number of awards (in millions)	2.1	2.4
Weighted average grant date fair value per unit	\$ 8.84	\$ 8.11
<i>PSUs Granted:</i>		
Number of awards (in millions, representing 100% of target)	1.7	1.8
Weighted average grant date fair value per unit	\$ 9.92	\$ 8.82
<i>DSUs Granted:</i>		
Number of awards (in millions)	0.10	0.03
Weighted average grant date fair value per unit	\$ 3.50	\$ 8.37

Information regarding employee and director SBC expense for the periods indicated is set forth below:

	Three months ended March 31	
	2020	2021
Employee SBC expense in cost of sales	\$ 4.8	\$ 4.9
Employee SBC expense in SG&A	6.5	5.2
Total	\$ 11.3	\$ 10.1
Director SBC expense in SG&A ⁽¹⁾	\$ 0.5	\$ 0.5

(1) Expense consists of director compensation that is to be settled with SVS, or SVS and cash, as elected by each director.

8. OTHER CHARGES

	Three months ended March 31	
	2020	2021
Restructuring (a)	\$ 8.0	\$ 5.8
Transition Costs (b)	—	0.1
Acquisition Costs (Recoveries) and Other (c)	—	(1.3)
	\$ 8.0	\$ 4.6

(a) Restructuring:

During Q1 2021, we recorded restructuring charges of \$5.8 (Q1 2020 — \$8.0). Our restructuring charges for Q1 2021 consisted primarily of actions to adjust our cost base to address reduced levels of demand in certain of our businesses, due in part to the impact of COVID-19, including continued actions to right-size our commercial aerospace facilities.

We recorded cash restructuring charges of \$5.7 and non-cash restructuring charges of \$0.1 in Q1 2021. The cash charges consisted primarily of employee termination costs, and the non-cash charges reflect the write-down of right-of-use (ROU) assets in connection with vacated properties. During Q1 2020, we recorded cash charges of \$6.5, primarily for employee termination costs, and non-cash charges of \$1.5 to write down certain equipment related to disengaged programs. At March 31,

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2021, our restructuring provision was \$3.8 (December 31, 2020 — \$4.7), which we recorded in the current portion of provisions on our consolidated balance sheet.

(b) Transition Costs:

We incurred \$0.1 of Transition Costs (defined in note 16(c) to the 2020 AFS) in Q1 2021 (nil in Q1 2020) pertaining to the transfer of manufacturing lines from closed sites to other sites within our global network.

(c) Acquisition Costs (Recoveries) and Other:

We incur consulting, transaction and integration costs relating to potential and completed acquisitions. We also incur charges or releases related to the subsequent re-measurement of indemnification assets or the release of indemnification or other liabilities recorded in connection with our acquisition of Impakt Holdings, LLC (Impakt). Collectively, these costs, charges and releases are referred to as Acquisition Costs (Recoveries). Net Acquisition Recoveries of \$0.8 during Q1 2021 consisted of \$0.4 in consulting costs related to potential acquisitions and \$1.2 of releases related to certain indirect tax liabilities previously recorded in connection with our acquisition of Impakt. No Acquisition Costs (Recoveries) were recorded in Q1 2020. Other consists of legal recoveries in Q1 2021 (for component parts purchased in prior periods) in connection with the settlement of class action lawsuits in which we were a plaintiff.

9. INCOME TAXES

Our income tax expense or recovery for each quarter is determined by multiplying the earnings or losses before tax for such quarter by management's best estimate of the weighted-average annual income tax rate expected for the full year, taking into account the tax effect of certain items recognized in the interim period. As a result, the effective income tax rates used in our interim financial statements may differ from management's estimate of the annual effective tax rate for the annual financial statements. Our estimated annual effective income tax rate varies as the quarters progress, for various reasons, including as a result of 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 believes it is not probable that future taxable profit will be available against which tax losses and deductible temporary differences could be utilized. Our annual 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.

For Q1 2021, our net income tax expense of \$5.2 was favorably impacted by \$1.1 in reversals of tax uncertainties in one of our Asian subsidiaries that completed its liquidation and dissolution during the quarter. Taxable foreign exchange impacts for Q1 2021 were not significant.

For Q1 2020, our net income tax expense of \$5.5 was favorably impacted by \$5.7 in net reversals of tax uncertainties in certain of our Asian subsidiaries, offset in part by \$3.0 of tax expense arising from taxable temporary differences associated with the then-anticipated repatriation of undistributed earnings from certain of our Chinese and Thai subsidiaries, and \$1.0 in taxable foreign exchange impacts arising primarily from the weakening of the Chinese renminbi and Thai baht relative to the U.S. dollar.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Our financial assets are comprised primarily of cash and cash equivalents, A/R, and derivatives used for hedging purposes. Our financial liabilities are comprised primarily of accounts payable, certain accrued and other liabilities, the Term Loans, borrowings under the Revolver, lease obligations, and derivatives.

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Interest rate risk:

Borrowings under the Credit Facility expose us to interest rate risk due to the potential variability of market interest rates. In order to partially hedge against our exposure to interest rate variability on our Term Loans, we have entered into various agreements with third-party banks to swap the variable interest rate (based on LIBOR plus a margin) with a fixed rate of interest for a portion of the borrowings under our Term Loans. At March 31, 2021, we had: (i) interest rate swaps hedging the interest rate risk associated with \$175.0 of our Initial Term Loan borrowings, that allow us to cancel up to \$75.0 of the notional amount of such swaps commencing in August 2021, and expire in August 2023, and additional interest rate swaps hedging the interest rate risk associated with \$100.0 of our Initial Term Loan borrowings effective upon such expiration through June 2024; and (ii) interest rate swaps hedging the interest rate risk associated with \$100.0 of our Incremental Term Loan borrowings that expire in December 2023. See note 21 to the 2020 AFS for additional detail regarding these interest rate swap agreements, including our exercise in December 2020 of an option to cancel \$75.0 of the notional amount of the interest rate swaps covering the Incremental Term Loan (increasing the unhedged amount under the Incremental Term Loan by a corresponding amount).

At March 31, 2021, the interest rate risk related to \$165.4 of borrowings under the Credit Facility was unhedged, consisting of unhedged amounts outstanding under the Term Loans (\$120.4 under the Initial Term Loan and \$45.0 under the Incremental Term Loan), and no amounts outstanding (other than ordinary course L/Cs) under the Revolver. See note 6.

At March 31, 2021, the fair value of our interest rate swap agreements was a net unrealized loss of \$13.2, consisting of an unrealized gain of \$0.3 for certain of our swaps, which we recorded in other non-current assets, and an unrealized loss of \$13.5 on the remainder (December 31, 2020 — unrealized loss of \$16.5), which we recorded in other non-current liabilities on our consolidated balance sheet. The unrealized portion of the change in fair value of the swaps is recorded in other comprehensive income (loss) (OCI). The realized portion of the change in fair value of the swaps is released from accumulated OCI and recognized under finance costs in our consolidated statement of operations in the respective interest payment periods.

Global reform of major interest rate benchmarks is currently underway, including the anticipated replacement of some Interbank Offered Rates (including LIBOR) with alternative nearly risk-free rates. See note 2, "Recently issued accounting standards and amendments" of the 2020 AFS. There remains uncertainty over the timing and methods of transition to such alternate rates.

We have obligations under our Credit Facility, lease arrangements, derivative instruments, and financing and discounting programs that are indexed to LIBOR (LIBOR Agreements). The interest rates under these agreements are subject to change when and if LIBOR ceases to exist. Our Credit Facility provides that when the administrative agent, the majority of lenders or we determine that LIBOR is unavailable or being replaced, then we and the administrative agent may amend the underlying credit agreement to reflect a successor rate. Once LIBOR becomes unavailable, if no successor rate has been established, applicable loans under the Credit Facility will convert to Base Rate loans. Certain of our other LIBOR Agreements also specify a successor rate once LIBOR ceases to exist, while the remaining LIBOR Agreements will require amendment. While we expect that reasonable alternatives to LIBOR will be implemented in advance of its cessation date, we cannot assure that this will be the case. If LIBOR is no longer available and the alternative reference rate is higher, interest rates under the affected LIBOR Agreements would increase, which would adversely impact our interest expense, A/R discount charges, and our financial performance and cash flows. In addition, hedge ineffectiveness could result due to the cessation of LIBOR, in particular where our interest rate swap agreements transition under the International Swaps and Derivative Association (ISDA) protocols using a different spread adjustment as compared to the underlying hedged debt. We will continue to monitor developments with respect to the cessation of LIBOR, and will evaluate potential impacts on our LIBOR Agreements, processes, systems, risk management methodology and valuations, financial reporting, taxes, and financial results. However, we are currently unable to predict when the publication of LIBOR will cease, nor what the future replacement rate or consequences on our operations or financial results will be.

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Currency risk:

The majority of our currency risk is driven by operational costs, including income tax expense, incurred in local currencies by our subsidiaries. We cannot predict changes in currency exchange rates, the impact of exchange rate changes on our operating results, nor the degree to which we will be able to manage the impact of currency exchange rate changes. Such changes, including negative impacts on currency exchange rates related to the COVID-19 pandemic, could have a material effect on our business, financial performance and financial condition.

Our major currency exposures at March 31, 2021 are summarized in U.S. dollar equivalents in the following table. The local currency amounts have been converted to U.S. dollar equivalents using spot rates at March 31, 2021.

	<u>Canadian dollar</u>	<u>Euro</u>	<u>Thai baht</u>	<u>Chinese renminbi</u>
Cash and cash equivalents	\$ 1.7	\$ 20.1	\$ 2.4	\$ 6.1
Accounts receivable	11.4	47.4	—	12.0
Income taxes and value-added taxes receivable	15.0	1.0	3.0	6.5
Other financial assets	—	1.2	0.3	0.4
Pension and non-pension post-employment liabilities	(85.0)	(0.4)	(19.6)	(1.0)
Income taxes and value-added taxes payable	(1.0)	(0.3)	(4.9)	(9.7)
Accounts payable and certain accrued and other liabilities and provisions	(69.0)	(33.6)	(25.9)	(37.7)
Net financial assets (liabilities)	<u>\$ (126.9)</u>	<u>\$ 35.4</u>	<u>\$ (44.7)</u>	<u>\$ (23.4)</u>

We enter into foreign currency forward contracts to hedge our cash flow exposures and foreign currency swaps to hedge our balance sheet exposures. 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. At March 31, 2021, we had foreign currency forwards and swaps to trade U.S. dollars in exchange for the following currencies:

<u>Currency</u>	<u>Contract amount in U.S. dollars</u>	<u>Weighted average exchange rate in U.S. dollars</u>	<u>Maximum period in months</u>	<u>Fair value gain (loss)</u>
Canadian dollar	\$ 233.2	\$ 0.78	13	\$ 3.4
Thai baht	111.9	0.03	12	(3.0)
Malaysian ringgit	44.7	0.24	12	0.3
Mexican peso	19.8	0.05	12	0.3
British pound	0.1	1.38	4	—
Chinese renminbi	47.3	0.15	12	0.5
Euro	38.2	1.19	8	1.8
Romanian leu	30.2	0.24	12	(0.1)
Singapore dollar	22.0	0.74	12	(0.1)
Japanese yen	10.4	0.0093	4	0.5
Korean won	6.4	0.0009	4	0.3
Total	<u>\$ 564.2</u>			<u>\$ 3.9</u>

As of March 31, 2021, approximately two-thirds of the fair values of our outstanding foreign currency forward and swap contracts related to effective cash flow hedges where we applied hedge accounting, and the remainder were related to economic hedges where we recorded the changes in the fair values of such contracts through our consolidated statement of operations. At March 31, 2021, the fair value of our outstanding contracts was a net unrealized gain of \$3.9 (December 31, 2020 — net

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unrealized gain of \$23.3), resulting from fluctuations in foreign exchange rates between the contract execution and the period-end date.

Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss to us. We believe our credit risk of counterparty non-performance continues to be relatively low, notwithstanding the impact of COVID-19. We are in regular contact with our customers, suppliers and logistics providers, and to date have not experienced significant counterparty non-performance. However, if a key supplier (or any company within such supplier's supply chain) or customer fails to comply with their contractual obligations, this could result in a significant financial loss to us. We would also suffer a significant financial loss if an institution from which we purchased foreign currency exchange contracts and swaps, interest rate swaps, or annuities for our pension plans defaults on their contractual obligations. With respect to our financial market activities, we have adopted a policy of dealing only with credit-worthy counterparties. In light of COVID-19, we enhanced the monitoring of, and/or developed plans intended to mitigate any identified exposures from our customers, which enhancements and plans remain in effect. No significant adjustments were made to our allowance for doubtful accounts during Q1 2021 or Q1 2020 in connection with our ongoing assessments and monitoring initiatives.

Liquidity risk:

Liquidity risk is the risk that we may not have cash available to satisfy our financial obligations as they come due. The majority of our financial liabilities recorded in accounts payable, accrued and other current liabilities and provisions are due within 90 days. We manage liquidity risk through maintenance of cash on hand and access to the various financing arrangements described in notes 4 and 6. We believe that cash flow from operating activities, together with cash on hand, cash from permitted sales of A/R (although there can be no assurance that any participant bank will purchase any of the A/R that we wish to sell), and borrowings available under the Revolver and potentially available under uncommitted intraday and overnight bank overdraft facilities are sufficient to fund our currently anticipated financial obligations, and will remain available in the current environment.

11. COVID-19 GOVERNMENT SUBSIDIES

The governments of various jurisdictions in which we have operations have approved legislation and taken administrative actions intended to aid businesses that have been adversely impacted by COVID-19, including making subsidies, grants and credits available to eligible entities to subsidize or offset qualifying expenses, including employee wages, or to lower payroll taxes or required social insurance program contributions (in certain countries), in each case subject to limits and other specified criteria (collectively, COVID Subsidies). We determined that we qualify for estimated aggregate of approximately \$4 of COVID Subsidies for Q1 2021 (Q1 2020 — nil) from various government authorities, which we recognized as a reduction to the related expenses in cost of goods sold (Q1 2021 — approximately \$3; Q1 2020 — nil) and SG&A (Q1 2021 — approximately \$1; Q1 2020 — nil) on our consolidated statement of operations. As of March 31, 2021, we have received all but approximately \$3 of the recognized COVID Subsidies, and have submitted, or expect to submit, claims for such remainder. The most significant of the COVID Subsidies that we recognized are provided under the Canadian Emergency Wage Subsidy (CEWS) first announced by the Government of Canada in April 2020.

12. COMMITMENTS AND CONTINGENCIES

Litigation and Other Matters:

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 where required. Although it is not always possible to estimate the extent of potential costs, if any, we believe that the ultimate resolution of all such pending matters will not have a material adverse impact on our financial performance, financial position or liquidity.

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In 2017, the Brazilian Ministry of Science, Technology, Innovation and Communications (MCTIC) issued assessments seeking to disqualify certain research and development expenses for the years 2006 to 2009, which entitled our Brazilian subsidiary (which ceased operations in 2009) to charge reduced sales tax levies to its customers. Although we received lower re-assessments for 2007 and 2008 during Q1 2020 in response to our initial appeal, we intend to continue to appeal the original assessments and the re-assessments for all years from 2006 to 2009. See note 25 to the 2020 AFS for further details. The assessments and re-assessments, including interest and penalties, have been revised by the MCTIC, and as of March 31, 2021, total approximately 24 million Brazilian real (approximately \$4 at period-end exchange rates) for all such years, reduced from original assessments totaling approximately 39 million Brazilian real (approximately \$7 at period-end exchange rates).

The successful pursuit of assertions made by any government authority, including tax authorities, could result in our owing significant amounts of tax or other reimbursements, interest and possibly penalties. We believe we adequately accrue for any probable potential adverse 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 in excess of amounts accrued.

CERTIFICATION

I, Robert A. Mionis, certify that:

1. I have reviewed this report on Form 6-K of Celestica Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

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

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

Date: April 29, 2021

/s/ Robert A. Mionis

Robert A. Mionis

Chief Executive Officer

CERTIFICATION

I, Mandeep Chawla, certify that:

1. I have reviewed this report on Form 6-K of Celestica Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

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

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

Date: April 29, 2021

/s/ Mandeep Chawla
Mandeep Chawla
Chief Financial Officer

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

In connection with the report of Celestica Inc. (the "Company") on Form 6-K for the quarter ended March 31, 2021, as furnished to the Securities and Exchange Commission on the date hereof (the "Report"), each of Robert A. Mionis, as Chief Executive Officer of the Company, and Mandeep Chawla, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: April 29, 2021

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

Date: April 29, 2021

/s/ Mandeep Chawla
Mandeep Chawla
Chief Financial Officer

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