REPORT TO SHAREHOLDERS

Dear fellow shareholders, employees, and stakeholders:

We are pleased to communicate the results for 2024.

The strong performance of our US operations contributed to the solid results described in the attached statements.

As we enter the uncertainties of 2025, our strength to respond as a team will continue to be important.

We supply good products with super service and competitive prices to global customers. This is our strategy for security and continued growth.

We continue to build long term security and success for all our associates and once again want to express our appreciation for everyone's involvement in the year's success.

Sincerely,

Robert F. Hammond
Chairman & CEO

Alex Stirling
Executive VP

ANNUAL MEETING
The meeting of the Shareholders will be held on
April 29, 2025, at

Cutten Fields
190 College Avenue East, Guelph, Ontario
Commencing at 10:00 a.m.

MANAGEMENT DISCUSSION AND ANALYSIS

This management discussion and analysis (MD&A) comments on the consolidated financial position and financial performance of Hammond Manufacturing Company Limited (“HMCL” or “the Company”) for the year ended December 31, 2024. This discussion should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2024, and related notes. Additional information about the Company can be found on its website, www.hammfg.com, or through the SEDAR website at www.sedar.com which includes the Company’s Annual Information Form. The information contained herein is dated as of March 4, 2025.

The annual consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS).

All amounts in this report are in Canadian dollars unless otherwise stated.

Cautionary advisory–Certain information in this MD&A is forward-looking and is subject to important risks and uncertainties. This MD&A contains forward-looking statements that involve a number of risks and uncertainties, including statements that relate to among other things, HMCL strategies, intentions, plans, beliefs, expectations and estimates, and can generally be identified by the use of words such as “may”, “will”, “could”, “should”, “would”, “likely”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “plan”, “objective” and “continue” and words and expressions of similar import. Although HMCL believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from expectations include but are not limited to: general business and economic conditions (including but not limited to currency rates); changes in laws and regulations; legal and regulatory proceedings; and the ability to execute strategic plans. HMCL does not undertake any obligation to update publicly or to revise any of the forward looking statements contained in this document, whether as a result of new information, future events or otherwise, except as required by law.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY PROFILE

Hammond Manufacturing Company Limited manufactures electronic and electrical enclosures, outlet strips and electronic transformers that are used by manufacturers of a wide range of electronic and electrical products. Products are sold directly to Original Equipment Manufacturers (OEM) and through a global network of distributors and agents.

Facilities are situated in Canada, the United States of America (US), the United Kingdom (UK), Taiwan, the Netherlands and Australia, with agents and distributors located worldwide. The Company also maintains a 40% ownership share of RITEC Enclosures Inc. (RITEC) located in Taiwan. RITEC produces a line of small cases for sale through the Hammond Manufacturing Company's sales channels and also manages the sourcing of die cast and plastic enclosures.

OPERATIONS

Founded in Guelph, Ontario, Canada in 1917. In the early years, the Company manufactured radios, power amplifiers and battery eliminators. The Company has grown over the years and has established a global name for quality products of Electrical Enclosures, Racks and Cabinets, Small Electronic Cases, Outlet strips and Electronic Transformers. Our customers include electrical, electronic and datacom OEM's/MRO's, utilities and institutions which are served through a network of agents and distributors.

Hammond has a team of over 900 employees supported by a commitment to ongoing capital investment and our continuous improvement programs combine to affirm the Hammond reputation for quality. Ongoing efforts to differentiate ourselves through high levels of service and customer satisfaction are a key corporate focus. These are the cornerstones to our future success.

Demand for Hammond products remained steady in 2024, Hammond realized its highest annual revenues in the company history.

Primary manufacturing is in Ontario, Canada with supporting manufacturing capabilities in the USA and United Kingdom. In summer of 2024 Hammond purchased 11.49 acres of land in Fergus, Ontario. This will secure our needs for future growth.

The company holds high levels of inventory to ensure our customers are serviced well. This policy serves the company well to ensure that our customer demands are met and serviced in a timely manner.

MANAGEMENT DISCUSSION AND ANALYSIS

QUARTERLY INFORMATION

HAMMOND MANUFACTURING COMPANY LIMITED

Summary of Quarterly Financial Information

(In thousands of Canadian dollars except earnings per share)

	2024				Year-to-date
	Q1	Q2	Q3	Q4	Total
Net product sales	$59,086	$61,944	$62,166	$61,702	$244,898
Income from operating activities	6,859	7,329	6,463	6,949	27,600
Net income for the period	4,457	4,712	4,399	4,806	18,374
Earnings per share - Basic & diluted	$0.39	$0.42	$0.39	$0.42	$1.62

	2023				Year-to-date
	Q1	Q2	Q3	Q4	Total
Net product sales	$62,492	$61,417	$57,101	$57,275	$238,285
Income from operating activities	6,238	8,006	6,575	7,269	28,088
Net income for the period	4,155	5,540	3,995	5,071	18,761
Earnings per share - Basic & diluted	$0.37	$0.49	$0.35	$0.45	$1.66

FOURTH QUARTER RESULTS

(amounts in thousands of dollars)

NET PRODUCT SALES

Net product sales for the three months ended December 31, 2024, were $61,702, down 0.7% compared to net product sales of $62,166 in the third quarter of 2024. The US, UK and European markets were down in local currencies over the prior quarter but the gain from USD foreign exchange helped to mitigate some of this drop. In local currencies the Canadian market was up 5.2% while the US market was down slightly by 1.2%. Our UK & European market was down 10.3%. We are attributing lower sales in this quarter compared to the prior quarter to the impact of the year-end holidays and customers deferring taking inventory for a better balance sheet presentation for those with a December 31 year end.

Net product sales for the current quarter were up, 7.7%, compared to net product sales of $57,275 for the three months ended December 31, 2023. Comparatively in local currencies, Canada was up 7.5% and the UK & European markets were up 8.2% compared to the fourth quarter of 2023. The US market was up compared to the fourth quarter of 2023 in USD by 10.2%. Foreign exchange from the USD provided a lift of $1,067.

GROSS PROFIT

Gross profit of $23,494 for the fourth quarter of 2024 was 38.1% of net sales compared to 35.3% in the third quarter of 2024. If we adjust for the impact of foreign exchange this quarter's gross margin is closer to 35.3% compared to the 36.2% in the prior quarter.

MANAGEMENT DISCUSSION AND ANALYSIS

When we compare the gross profit level between the comparative fourth quarter of 2023 and 2024 we can see a decrease from 38.9% to 38.1%. The impact of foreign exchange compared to levels in the fourth quarter of 2024 helped mitigate some of the decrease in margin levels by approximately 1.7%.

SELLING AND DISTRIBUTION, GENERAL AND ADMINISTRATIVE EXPENSES AND LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Fourth quarter selling and distribution, general and administrative expenses and gain / loss on the disposal of property plant and equipment of $16,567 was 26.9% of net product sales for the three months ended December 31, 2024. This compared with spending of $15,499 in the previous quarter, that was 24.9% of net sales. The fourth quarter of 2023 saw spending levels of $15,029 which was 26.2% of net sales.

Selling and distribution spending in the fourth quarter of 2024 was $14,685 (23.8% of net product sales) up from $13,938 (22.4% of net product sales) in the third quarter of 2024. Freight expenses were up with increases coming from our prepaid freight and trailer rental costs.

Selling and distribution spending was up $1,596 over the fourth quarter spending of $13,089 in 2023 (22.9% of net product sales). General freight and warehousing costs are up.

General and administrative expenses of $1,875 (3.0% of net product sales) in the fourth quarter are up 20.7% (or $321) over the previous quarter's spending of $1,554 (2.5% of net product sales). Wages were up $75, as well as Marketing and advertising, and depreciation.

This quarter's spending was down $55 compared to the fourth quarter of 2023 general and administrative expenses of $1,930 (3.4% of net product sales). In 2024 the bad debt reserve was reduced, due to a push to reduce aged receivables from June to December.

INCOME FROM OPERATING ACTIVITIES

This quarter's income from operating activities was $6,949 (11.3% of net product sales). This is up from the prior quarter of $6,463 (10.4% of net product sales) and down from the fourth quarter of 2023 amount of $7,269 (12.7% of net product sales).

INTEREST

The fourth quarter net interest expense on bank indebtedness and loans was $742 compared to an expense of $725 for the fourth quarter 2023.The comparative borrowing base has been reduced throughout the year and is down by $3.7 million from the end of 2023 to the end of 2024.

The following is a breakdown of the interest expenses.

		December 31, 2024		December 31, 2023
Long term debt interest	$	643	$	614
Bank indebtedness interest		34		1
Interest expense	$	677	$	615
Interest income earned on cash		(132)		(29)
Net Interest Expense	$	545	$	586
Interest expense leases	$	197	$	139
Total Interest and lease interest expense	$	742	$	725

FOREIGN EXCHANGE TRANSACTIONAL IMPACT

During the fourth quarter of 2024, the Company recognized a loss on transactional foreign exchange of $14 compared to a gain of $191 in the three months ended December 31, 2023. The intercompany balance payable to our US entity accounts was a driver of this movement earlier in the year. There is an offset to the intercompany impact found in the foreign exchange translation of foreign operations as the offsetting US receivable is due from the Canadian entity and is part of the translational adjustment of the US entities balance sheet on consolidation.

INCOME TAX EXPENSE

Fourth quarter taxes of $1,502 and 23.8% of income before taxes, which brings the overall year’s tax rate to 25.1% of income before taxes.

NET INCOME FOR THE PERIOD

Net income of $4.806 (7.5% return on net product sales) was recognized for the fourth quarter ending December 31, 2024. This is up from a net return of $4,399 (7.1% return on net product sales) in the previous quarter and down from the net return of $5,071 (8.9% return on net product sales) recognized in the fourth quarter of 2023.

FOREIGN EXCHANGE TRANSLATION OF FOREIGN OPERATIONS

The translation adjustment for the fourth quarter of 2024 was a gain of $2,095 compared to a translation loss of $602 in the fourth quarter of 2023.

TOTAL COMPREHENSIVE INCOME

Comprehensive income for the fourth quarter ended December 31, 2024, was $6,901 (11.2% of net product sales) up from the 3 months ended December 31, 2023, of $4,469 (7.8% of net product sales) and up from the previous quarter’s total comprehensive income of $4,065 (6.5% of net product sales).

MANAGEMENT DISCUSSION AND ANALYSIS

FULL YEAR RESULTS

(amounts in thousands of dollars)

NET PRODUCT SALES

Net product sales of $244,898 in 2024 were up 2.8% compared to net sales of $238,285 reported in 2023. Foreign exchange had a positive impact on year-over-year reporting of approximately $2,620, 1.1% of the sales increase. Our Canadian market is down by 2.4% compared to 2023. The US market is up 4.3% when measured in USD. Due to the impact of foreign exchange the US sales are up 5.8% when measured in CAD. The rest of the world's activity is up 4.5%, this segment is mostly made up of UK & European sales.

GROSS PROFIT

In 2024, gross profit was $90,901 or 37.1% of net product sales compared to $86,206 or 36.2% achieved in 2023. If we remove the foreign exchange impact in 2024, gross margin would be closer to 36.3 %. Pricing remained relatively stable in 2024 consistent with 2023.

SELLING AND DISTRIBUTION, GENERAL AND ADMINISTRATIVE, AND LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Selling and distribution, general and administrative, including the net impact of the disposal of property, plant and equipment of $63,301 (25.8% of net product sales) was up 8.9% compared to the 2023 spend of $58,118 (24.4% of net product sales). Of the change, $520 (0.8%) can be attributed to foreign exchange. This compares to a year-over-year sales increase of 2.8%.

Selling and distribution expenses of $56,186 increased $5,168 or 10.1% compared to 2023. Foreign exchange had the impact of increasing comparative costs by $519. Including the foreign exchange impact, freight expenses are up $3,718 or 13.2%. Selling expenses were up $1,623, or 8.0%. Largely driven by the fact that post Covid travel volumes are returning, additional sales staff and warehousing costs in the UK.

Our general and administrative expenses of $7,101 were down $129 or 1.8% compared to 2023 spending levels of $7,230. The foreign exchange impact was negligible year over year. The largest driver of the cost reduction came from a reduction in the bad debt reserve.

This year we saw a small impact on the disposal of property, plant and equipment with a loss of $14. This compares to a net gain on disposals of $130 recognized in 2023.

INCOME FROM OPERATING ACTIVITIES

Overall, 2024 income from operating activities was $27,600 (11.3% of net product sales) which is down compared to 2023 earnings of $28,088 (11.8% of net product sales).

INTEREST

Interest Expense was up in 2024 to $2,815 versus $2,548 in 2023, the main driver was the timing of the $25,833 loan that was taken out in late 2023 at a higher interest rate, in 2024 the full impact of the annual interest was recorded. In 2023 interest rates were lower and rose throughout the year. Despite a lower borrowing base year over year the interest expense was higher. This was offset by improved interest income leading to a net interest expense of $2,220 in 2024 versus $2,508 in 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

The following is a breakdown of the interest expenses.

	December 31, 2024	December 31, 2023
Long term debt interest	$ 2,566	$ 1,668
Bank indebtedness interest	249	880
Interest expense	$ 2,815	$ 2,548
Interest income earned on cash	(595)	(40)
Net Interest Expense	$ 2,220	$ 2,508
Interest expense leases	$ 655	$ 544
Total Interest and lease interest expense	$ 2,875	$ 3,052

FOREIGN EXCHANGE TRANSACTIONAL IMPACT

A $221 foreign exchange transactional loss was reported in 2024, compared to a transactional gain of $29 in 2023. The Canadian dollar averaged 2023 at $1.00 USD to $1.350 CAD closed 2023 at $1.00 USD to $1.323 CAD. The value fluctuated throughout the year, closing 2024 at $1.00 USD to $1.439 CAD. In 2024 the average rate was $1.00 USD to $1.369 CAD level.

INCOME TAX EXPENSE

2024 tax expenses of $6,148 were 25.1% of income before income tax. This compares to a 2023 tax expense of $6,238 which was 25.0% of income before income tax.

NET INCOME FOR THE YEAR

Net income for the year ending December 31, 2024, was $18,374 (7.5% of net product sales) compared to the prior year net income of $18,761 (7.9% of net product sales).

FOREIGN EXCHANGE TRANSLATION OF FOREIGN OPERATIONS

During 2024, a gain of $2,842 on translational foreign exchange was recorded compared to a loss of $627 in 2023. As noted earlier, a part of the transactional impact is offset by the foreign exchange transactional impact of intercompany loans.

TOTAL COMPREHENSIVE INCOME

Comprehensive income for 2024 was $21,216 (8.7% of net product sales) compared to comprehensive income of $18,134 (7.6% of net product sales) in 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

SELECTED ANNUAL INFORMATION

Consolidated Statements of Comprehensive Income		2024		2023		2022
Net product sales	**$**	**244,898**	$	238,285	$	225,922
Income from operating activities		**27,600**		28,088		19,442
Net income for the year		**18,374**		18,761		12,003
Per share - basic & fully diluted net earnings for the year		**$1.62**		$1.66		$1.06

Consolidated Statement of Financial Position		2024		2023		2022
Total assets	**$**	**214,789**	$	189,132	$	168,005
Total funded debt and lease liabilities		**56,728**		56,451		48,392
Working capital		**56,044**		43,075		32,665
Net cash generated from operating activities		**33,665**		16,895		4,824
Dividends declared and paid		**680**		680		680
Shareholders' equity	**$**	**119,535**	$	98,999	$	81,545

CAPITAL RESOURCES AND LIQUIDITY

Net cash generated in operating activities for 2024 was $33,665 (net cash generated in 2023 - $16,935). Cash flows from financing activities used $7,371 to paying down long-term debt and leases (2023 – financing activities generated $5,195, with the $26,000 of new debt set up). Net cash used in investing activities was $12,039 (2023 - $13,624).

Trade and other receivables of $32,491 as at December 31, 2024 have increased 5.3% compared to 2023. The increase can be attributed to higher sales and timing of incoming payments in the corresponding periods.

The year-end investment in inventory of $66,654 saw a decrease of 1.6% from the 2023 inventory value of $67,772. Inventory turnover was consistent year over year at 2.3 (cost of sales for the year divided by the twelve-month average inventory level). Turns of 2 to 3 reflect our historical levels. Our value statement hinges on having our standard product on our shelves.

Trade and other liabilities increased by $1,571, or 6.3% over 2023 to $26,386. Total long-term debt, lease liabilities and bank indebtedness increased by $277 over the prior year to $56,728. Our debt-to-equity ratio at year-end (excluding lease liabilities) was approximately 0.35:1 (2023 - 0.46:1). Debt-to-equity calculated inclusive of the lease liabilities was 0.47:1 (2023 – 0.57:1). Debt is made up of Bank Indebtedness, Long-term Debt and Lease Liabilities.

Total dividends paid in 2024 were $680 (2023 - $680).

Property, plant, equipment and intangible asset additions excluding the right of use assets in 2024 were $12,051 from $13,764 in 2023.

The overall cash position increased by $15,820 in 2024 compared to a cash position increase of $7,988 in 2023. The excess cash will be utilized to fund future growth projects.

In the second quarter the company set up a new lease for warehouse property located in Guelph. It is 31,766 sq. ft. The present value of the lease is $2,056, and it ends May 31, 2029. Also set up a new lease in a newly renovated UK facility adding an additional 10,200 sq. ft., this is a 10-year lease that ends in June 2034, the present value is $1,688, this is the fifth unit in the UK.

The Company is compliant with all the bank covenants, and the credit facilities are well designed to meet expected on-going requirements.

As at December 31, 2024 the contractual obligations showing demand loans as current are as follows.

Contractual obligations *(In thousands)*	***Total***	***Current***	***1-2 Years***	***2-3 Years***	***3-4 Years***	***4-5 Years***	***After 5 Years***
Long-term debt	$ 41,135	$ 36,238	$ 1,476	$ 1,551	$ 1,553	$ 317	$ -
Lease Liabilities	15,310	3,317	2,758	2,023	1,838	1,490	3,884
Total contractual obligations	$ 56,445	$ 39,556	$ 4,234	$ 3,574	$ 3,391	$ 1,807	$ 3,884

As at December 31, 2024 the contractual obligations based on repayment not being called early.

Contractual obligations *(In thousands)*	***Total***	***Current***	***1-2 Years***	***2-3 Years***	***3-4 Years***	***4-5 Years***	***After 5 Years***
Long-term debt	$ 41,135	$ 4,869	$ 8,416	$ 2,082	$ 25,451	$ 317	$ -
Lease Liabilities	15,310	3,317	2,758	2,023	1,838	1,490	3,884
Total contractual obligations	$ 56,445	$ 8,186	$ 11,174	$ 4,105	$ 27,289	$ 1,807	$ 3,884

In addition to the contractual obligations above, the Company has current obligations of $998 (2023 - $395) against open purchase orders for outstanding capital expenditures.

The Company also has open purchase commitments with RITEC as at December 31, 2024 of $985 (2023 - $452). This expenditure should be completed in the first half of 2025.

SHARE CAPITAL

As of March 4, 2025, 8,556,000 Class A subordinate voting shares and 2,778,300 Class B common shares were issued and outstanding. The Company also has a management share option plan, with no options currently outstanding.

EBITDA

EBITDA for 2024 was $37,809. This showed improvement over EBITDA of $36,500 achieved in 2023.

EBITDA adjusted for transactional impact of foreign exchange was $38,030 in 2024 compared to an adjusted EBITDA of $36,471 in 2023. EBITDA and adjusted EBITDA are calculated as outlined in the following table:

Reconciliation of Net Earnings to Earnings Before Interest, Taxes Depreciation and Amortization (EBITDA)*.

MANAGEMENT DISCUSSION AND ANALYSIS

(In thousands of Canadian dollars)	Years Ended: December 31, 2024	December 31, 2023	Three Months Ended: December 31, 2024	December 31, 2023
Net income for the period	$ 18,373	$ 18,761	$ 4,805	$ 5,071
Add				
Income tax expense	6,148	6,238	1,502	1,646
Depreciation and amortization	6,840	5,769	2,506	1,435
Right-of-use depreciation	2,978	2,680	982	684
Finance costs on debt	2,220	2,508	82	575
Right-of-use finance costs	655	544	198	139
Subtotal	18,841	17,739	5,270	4,479
EBITDA*	$ 37,214	$ 36,500	$ 10,075	$ 9,550
Add:				
FX transactional loss (gain)	221	(29)	14	(191)
Adjusted EBITDA *	$ 37,435	$ 36,471	$ 10,089	$ 9,359

* EBITDA and Adjusted EBITDA are non-IFRS earnings measures, therefore they do not have any standardized meaning prescribed by International Financial Reporting Standards and may not be similar to measures presented by other companies. EBITDA represents earnings before interest, income taxes, depreciation and amortization. Adjusted EBITDA removes the impact of foreign exchange transactional so management can assess the impact of this on the operating results. Management uses these measurements to evaluate the operating results of the Company. These measures are also important to management since they are used by the Company's lenders to evaluate the ongoing cash generating capability of the Company and therefore the amounts those lenders are willing to lend to the Company. Investors find EBITDA and Adjusted EBITDA to be useful information because they provide measures of the Company's operating performance.

ENVIRONMENTAL ISSUES

The Glen Ewing Property is 50% co-tenancy with Hammond Power Solutions Inc. (HPSI) of a vacant property located at 2 Glen Road, Georgetown. The soil has been contaminated by diesel oil, which is believed to be related to site operations of prior owners. The Company and HPSI, as co-tenants, have been working co-operatively with our environmental consultant, the Ministry of the Environment, Conservation and Park's ("**MECP**") and the adjacent property owner to contain and remove any free-flowing contaminants. The parties have cooperatively developed a remediation action plan to contain and remove any free-flowing contaminants and began remediation in October 2009. The MECP is aware of the remediation and the process being used. It does not include obtaining a record of site condition. The Company's estimate of the remaining portion of the environmental remediation costs for the October 2009 plan for this site is $225 (2023 $225) with $80 (2023- $80) presented as a current liability in the consolidated financial statements. The provision covers the next four years' activities.

In March 2024, the MECP performed an inspection of the Glen Ewing Property which resulted in the MECP recommending certain additional remedial actions: including further monitoring and implementation of systems to prevent migration of certain other contaminants. The MECP did not issue a formal regulatory order. However, a formal order may be issued if certain steps are not taken. The costs of the additional remedial actions are currently contingent on the completion of a feasibility study. However, the anticipated costs will be based on an external consultant's remediation plan and management's estimate, discounted for expected timing of expenditures. The cost of the initial feasibility study is estimated to be between $50 - $100, and shared with Hammond Power Solutions Incorporated.

A third-party statement of claim was issued on March 6, 2019, against the Company with respect to an adjacent property to one of our Waterloo facilities. Our records do not show any spills of chemicals at this location and management has made the decision not to make any provision/contingency in these consolidated financial statements.

Other than the above noted sites, management is not aware of any unusual or significant environmental issues.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expense. Actual results may differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Management periodically reviews its estimates and underlying assumptions relating to the following items:

i) Inventory

   Inventories are valued at the lower of cost or net realizable value. When necessary, the write-down of inventory to its net realizable value is recorded as a result of industry conditions. We have made certain assumptions when determining expected future demand by utilizing information such as inventory quantities and aging, historical sales of inventory and general market understanding. Reductions in demand for certain of our inventories or declining market values, as well as differences between actual results and the assumptions utilized by us when determining the market value of our inventories, could result in the recognition of write-down expenses in future periods.

ii) Amortization

   Management makes estimates of the appropriate useful lives to be assigned to intangible assets based on the individual circumstances of an acquisition. Management reviews the appropriateness of the lives assigned and adjusts prospectively, where necessary.

iii) Impairment tests

   Management makes estimates of sustainable earnings, future expected cash flows and discount rates in the determination of the value-in-use or fair value less costs of disposal of cash-generating units ("CGUs").

iv) Provision against accounts receivable

   Management makes estimates on the expected credit losses ("ECLs") of accounts receivable balances based on customer specific facts and circumstances as well as experience of write-offs. Changes in the economic conditions in which the Company's customers operate and their underlying financial stability may impact on these estimates.

v) Employee future benefits

Management estimates the discount rates, retirement age and future costs of benefits associated with providing future employee benefits and exercises judgment to determine how many employees will utilize these benefits.

vi) Tax assets

Deferred tax assets and liabilities contain estimates about the nature and timing of future permanent and temporary differences as well as the future tax rates that will apply to those differences. Changes in tax laws and rates as well as changes to the expected timing of reversals may have a significant impact on the amounts recorded for deferred tax assets and liabilities. Management closely monitors current and potential changes to tax law and bases its estimates on the best available information at each reporting date.

vii) Depreciation

Management estimates future residual values and the rate at which the useful lives of property and equipment are consumed to determine appropriate depreciation charges. Estimates of residual value and useful lives are based on data and information from various sources, including vendors, industry practice and Company-specific history. Management reviews the appropriateness of the lives assigned and adjusts prospectively, where necessary.

viii) Property value

Management estimates the value of the investment property to assess if impairment has occurred. The estimate is made by reviewing local land prices and current sales of similar properties as well as property tax value assessment.

ix) Environmental remediation:

Management estimates the value to complete the remediation project on the Glen Ewing Property each year by reviewing the project status and activities still to be completed. Any changes to the project scope are updated in the cost estimation model and any change in the required reserve is recorded in the current year.

x) Sales returns:

Management estimates the value of product that will be returned based on a historical analysis. Any change to the estimate is recorded as a reduction of revenue in the current period.

xi) Leases:

For the purpose of initial and subsequent measurement of leases the Company utilizes a discounted interest rate in the lease that is readily available or the Groups incremental borrowing rate. The group also utilizes its best estimate of any costs to dismantle and remove the assets at the end of the lease.

Use of judgments:

The preparation of financial statements in conformity with IFRS requires management to make judgments that affect the application of accounting policies and the interpretation of accounting standards. Management periodically reviews its judgments and underlying assumptions relating to the following items:

xii) Provision for claims

Judgment is exercised in deciding whether liability for a claim meets the criteria of a present obligation and in assessing the probability of the outflow of economic resources.

xiii) Leases

The Company exercises judgement as to whether it is likely to extend the term of the lease when the option is provided.

xiv) Impairment tests

Management exercises judgment to determine whether there are factors that would indicate that an asset or a CGU is impaired. The determination of CGUs is also based on management's judgment and is an assessment of the smallest group of assets that generate cash inflows independently of other assets. Factors considered include whether an active market exists for the output produced by the asset or group of assets as well as how management monitors and makes decisions about the Company's operations.

CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to management on a timely basis so that appropriate decisions can be made regarding public disclosure.

The purpose of internal controls over financial reporting as defined by the Canadian Securities Administrators is to provide reasonable assurance that:

(i) financial statements prepared for external purposes are in accordance with the Company's Generally Accepted Accounting Principles,

(ii) transactions are recorded as necessary to permit the preparation of financial statements, and records are maintained in reasonable detail,

(iii) receipts and expenditures of the Company are made only in accordance with the authorizations of the Company's management and directors, and

(iv) unauthorized acquisitions, uses or dispositions of the Company's assets that could have a material effect on the financial statements will be prevented or detected to prevent material error in financial statements.

Internal controls over financial reporting, no matter how well designed have inherent limitations. Therefore, internal control over financial reporting determined to be effective can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Evaluation of Disclosure Controls and Procedures:

Management is responsible for establishing and maintaining disclosure controls and procedures. Under the supervision and with the participation of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), management evaluated the effectiveness of the Company's disclosure controls and procedures. Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in annual filings, interim filings or other reports filed or submitted by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed in the annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to management, including the Company's certifying officers, as appropriate to allow timely decisions regarding required disclosure. Management concluded that the Company's disclosure controls and procedures were effectively designed as at the December 31, 2024 year end.

Evaluation of Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining internal control over financial reporting. Under the supervision and with the participation of the Company's CEO and the CFO, management evaluated the effectiveness of the Company's internal control over financial reporting. Internal control is a process designed by, or under the supervision of, an issuer's certifying officers, and effected by the issuer's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS and includes those policies and procedures that: (a) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (b) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the IFRS, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (c) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the annual financial statements or interim financial statements. The CEO and CFO did not identify any material weaknesses in their evaluation of internal control, and concluded that the Company's internal control over financial reporting was effective, as at December 31, 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

RISKS AND UNCERTAINTIES

As with most businesses, the Company is subject to a few marketplaces, industry and economic related business risks, which could have some material impact on our operating results.

These risks include:

- Security Breaches or Disruptions of Information Technology Systems Risk;
- Key personnel;
- The cyclical effects, unpredictability and volatility of market driven commodity costs, raw materials such as copper and steel pricing and supply and demand;
- A significant, unexpected change in the global demand for resources;
- The variability of the Canadian dollar versus the US dollar;
- Rising interest rates;
- Economic slowdown in the US and Canada;
- Trade restrictions;
- Labour costs and labour relations;
- Competition; and
- Global political unrest;
- Pandemics
- Tariffs

The Company continuously works to minimize the negative impact of these risks and strengthen its position through diversification of its core business, market channel expansion, geographic diversity of its operations and business hedging strategies. There are, however, several risks that deserve particular attention.

Security Breaches or Disruptions of Information Technology Systems Risk

The Company utilizes a variety of information technology systems to manage and operate its businesses. These information systems may be owned and maintained by the Corporation, outsource providers or third parties such as customers, vendors and contractors. These information systems are subject to attacks, failures, and access denials from several potential sources including viruses, destructive or inadequate code, power failures, and physical damage to computers, hard drives, communication lines and networking equipment. Despite the implementation of extensive security measures (including access controls, data encryption, vulnerability assessments, continuous monitoring, and maintenance of back-up and protective systems), the Corporation's information technology systems are potentially vulnerable to interruptions or delays, unauthorized access, computer viruses, cyber-attack and other events, ranging from individual attempts to advanced persistent threats. It is possible a security breach could result in theft of trade secrets or other intellectual property or disclosure of confidential customer, supplier or employee information. Should the Corporation be unable to prevent security breaches, disruptions could have an adverse effect on the Corporation's operations and financial results, as well as expose the Corporation to litigation, increased cyber security protection costs, and reputational damage.

MANAGEMENT DISCUSSION AND ANALYSIS

Key Personnel

The Company is dependent on the experience and industry knowledge of its executive officers and other key employees to execute its business plan. If the Company were to experience a substantial turnover in its leadership or other key employees, business results from operations and financial condition could be materially adversely affected.

Commodity Prices

An area that has had a definite effect on the Company's costs and earnings is the cyclical effects and unprecedented market cost pressures of copper commodity and steel pricing in the global market. Due to this unpredictability and volatility, particularly with copper pricing, the Company does not currently utilize future contracts. Strategic supply line agreements and alliances are in place with our major steel suppliers to ensure adequate supply and competitive market pricing.

Foreign Exchange

The Company's operating results are reported in Canadian dollars. A significant portion of our sales is denominated in US dollars. A change in the value of the Canadian dollar against the US dollar will impact revenues and earnings. We have created a bit of a natural hedge as this is partially offset by a corresponding change in the cost of materials purchased from the US and commodities tied to US dollar pricing. In general, a lower value for the Canadian dollar compared to the US dollar will have a beneficial impact on the Company's results; or, inversely, a higher value for the Canadian dollar compared to the US dollar will have a negative impact on the Company's profitability. In a sensitivity review, if we did not react in any way to a one cent change in the value of the Canadian to US dollar value it would have an approximate impact on income from operations of $1,104 for each cent movement in 2024. The Company also has a US operating subsidiary and US dollar assets. The exchange rate between the Canadian and US dollar can vary significantly from year to year. There is a corresponding positive or negative impact to the Company's Consolidated Statements of Comprehensive Income solely related to the foreign exchange translation of its Consolidated Statements of Financial Position. We have partially reduced the impact of foreign exchange fluctuations through increasing our US dollar-driven manufacturing output. Finally, the Company periodically institutes price increases / reductions to help offset the negative / positive impact of changes in foreign exchange and product cost increases / decreases. The Company is also exposed to the impact from the British pound sterling and Euro as well as to the Australian dollar but not to the level of exposure of the US dollar.

Interest Rates

The interest rates have been reducing over the last half of the year. The Company is cognizant that a rise in interest rates negatively impacts the financial results of the Company. The Company continuously reviews this strategy of hedging this risk by fixing interest rates on part of its total debt.

North American Economy

We will continue to react to the market conditions to grow our business. Our efforts over the next 12 months will continue to be on projects that will reduce our costs and improve our manufacturing flexibility. We believe that being nimble as an organization will become even more important in order to respond quickly to both unexpected opportunities as well as challenges. We also believe that our growing access to a variety of markets, both global and domestic, through our OEM and distributor channels will help the Company expand its market share.

Global Political Unrest

Today's politics can have significant repercussions on business. Issues are constantly changing, and management must assess the potential outcomes of the different issues and be prepared to react to or mitigate anything that would have a negative impact on our business.

Pandemics

Global Pandemics such as the COVID outbreak that started in 2020 can have dramatic impacts on markets as supply chains, labour forces, logistics etc. become susceptible to disruption. It is important to get ahead of these situations and be prepared to react to mitigate the issues as they arise.

Tariffs

With pending tariffs from our American trading partner and retaliatory counter tariffs, these actions could cause disruption within our supply chain due potential cost impacts. At this time, the nation is waiting as the decision was pushed out until early March so the impact is currently unknown. The company will remain diligent and educated on the topic and be prepared to react as needed to support the business.

ACCOUNTING POLICY CHANGES

The International Accounting Standards Board (IASB) has issued the following Standards, Interpretations and Amendments to Standards that were adopted by the Group.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16

On September 22, 2022, the IASB issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16). The amendments introduce a new accounting model which impacts how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction.

The amendments were adopted January 1, 2024. The impact of adoption of these amendments did not have an impact on the business.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

On January 23, 2020, the IASB issued amendments to IAS 1 *Presentation of Financial Statements*, to clarify the classification of liabilities as current or non-current. On October 31, 2022, the IASB issued *Non-current Liabilities with Covenants* (amendments to IAS 1), to improve the information a company provides about long-term debt with covenants.

The amendments were adopted January 1, 2024. The impact of adoption of these amendments did not have an impact on the business.

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

On May 25, 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures. The amendments introduce two new disclosure objectives – one in IAS 7 and another in IFRS 7 – for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk.

The amendments were adopted January 1, 2024. The impact of adoption of these amendments did not have an impact on the business.

FUTURE ACCOUNTING CHANGES

At the date of authorization of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Group and it is still to be determined if any will have a material impact or if they are applicable for the Group's financial statements.

Lack of Exchangeability (Amendment to IAS 21, The Effects of Changes in Foreign Exchange Rates) applies when one currency cannot be exchanged into another. This may occur, for example, because of government-imposed controls on capital imports and exports, or a limitation on the volume of foreign currency transactions that can be undertaken at an official exchange rate. The amendments clarify when a currency is considered exchangeable into another currency, and how an entity estimates a spot rate for currencies that lack exchangeability. The amendments introduce new disclosures to help financial statement users assess the impact of using an estimated exchange rate.

Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9, Financial Instruments and IFRS 7, Financial Instruments: Disclosures) clarify financial assets and financial liabilities are recognized and derecognized at settlement date except for regular way purchases or sales of financial assets and financial liabilities meeting conditions for new exception. The new exception permits companies to elect to derecognize certain financial liabilities settled via electronic payment systems earlier than the settlement date.

They also provide guidelines to assess contractual cash flow characteristics of financial assets, which apply to all contingent cash flows, including those arising from environmental, social, and governance (ESG)-linked features.

Additionally, these amendments introduce new disclosure requirements and update others.

Power Purchase Agreements (PPAs) (Amendments to IFRS 9 and IFRS 7) address the application of 'own use' and hedge accounting requirements for agreements which meet specified criteria. If a PPA qualifies for the 'own use' exemption, it is accounted for as an executory contract rather than as a derivative. In contrast, if a PPA does not qualify for the 'own use' exemption, it is accounted for as a derivative to which hedge accounting considerations may apply. The amendments apply to contracts that reference electricity generated from nature dependent sources and for which cash flows vary based on the amount of electricity generated by a reference production facility. New disclosures have also been introduced.

IFRS 18 replaces IAS 1, which sets out presentation and base disclosure requirements for financial statements. The changes, which mostly affect the income statement, include the requirement to classify income and expenses into three new categories – operating, investing and financing – and present subtotals for operating profit or loss and profit or loss before financing and income taxes.

Further, operating expenses are presented directly on the face of the income statement – classified either by nature (e.g. employee compensation), by function (e.g. cost of sales) or using a mixed presentation. Expenses presented by function require more detailed disclosures about their nature.

IFRS 18 also provides enhanced guidance for aggregation and disaggregation of information in the financial statements, introduces new disclosure requirements for management-defined performance measures (MPMs)* and eliminates classification options for interest and dividends in the statement of cash flows.

*Non-GAAP measures that meet the definition of MPMs will be subject to the disclosure requirements.

IFRS 19 is a voluntary standard that applies to entities without public accountability, but whose parents prepare consolidated financial statements under IFRS Accounting Standards.

For in-scope companies, IFRS 19 simplifies disclosures on various topics, including leases, exchange rates, income taxes, statement of cash flows, etc.

If elected, IFRS 19 is expected to reduce the cost of preparing in-scope financial statements while maintaining the usefulness of those financial statements for stakeholders.

OUTLOOK FACTORS FOR 2025

The feedback we have from our North American markets is that we will see growth in the low-single digit area in 2025 compared to the level of activity we experienced in the latter half of 2024. Our UK and European markets remain weak, and we are watching this closely and will react accordingly.

We continue to competitively price our products and stimulate market share growth as we keep an eye on currency fluctuations. This is tied closely to the pending tariffs from our US partner. If implemented, it is expected that the Canadian dollar would weaken in the immediate term.

The Company continues with the objective of sales growth and increased market share but will weigh this against achieving acceptable margins.

Capital spending will continue to be focused on high impact projects as accommodated by cash flows.

Our primary focus continues to be productivity and margin improvements.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements are the responsibility of the management of Hammond Manufacturing Company Limited. These statements have been prepared in accordance with IFRS Accounting Standards, using management's best estimates and judgments, where appropriate.

Management is responsible for the reliability and integrity of the consolidated financial statements, the notes to the consolidated financial statements and other financial information contained in the report. In the preparation of these statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities is dependent on future events. Management believes such estimates have been based on careful judgment and have been properly reflected in the accompanying consolidated financial statements.

Management is responsible for the maintenance of a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors assists in exercising its responsibilities through the Audit Committee of the Board, which is composed of four non-management directors. The Audit Committee meets periodically with management and the auditors to satisfy itself that management's responsibilities are properly discharged, to review the consolidated financial statements and to recommend the approval of the consolidated financial statements to the Board of Directors.

KPMG LLP, the independent auditors appointed by the shareholders, has audited the Company's consolidated financial statements in accordance with Canadian generally accepted auditing standards and their report follows. The independent auditors have full and unrestricted access to the Audit Committee to discuss their audit and related findings as to the integrity of the financial reporting process.

R.F. Hammond	A. Stirling
Chairman & CEO	Secretary & EVP

Guelph, Ontario

March 5, 2024