Q2 Report 2025

For the six months ended June 28, 2025

To our **SHAREHOLDERS**

I am pleased to share that HPS delivered another strong quarter in Q2 2025, achieving record sales and solid profits despite navigating some cost headwinds. Our quarterly revenue reached approximately $224 million, marking a new record quarter with 14% growth compared to Q2 2024. This growth was driven by healthy demand across core markets and improved production output.

Despite continued volatility of global trade policies, our customer and market activity remain resilient with continued quotation and orders momentum. We continue to increase our capacity for shipments with the construction of our most recent factory in Mexico. This facility has been completed and will contribute to our shipment capabilities later this year.

Our gross margin was slightly lower than the previous year at 30.7%, driven by rising input costs and further investments in our manufacturing footprint in the quarter. While the net effects of our pricing will be seen more fully in Q3, we saw material cost rise faster than expected.

We are proud to highlight that our company has been certified as a Great Place to Work™, again for a second consecutive year, including first-time certifications for our Mexico facilities. This recognition reflects our commitment to engaging our employees and setting the bar for workplace culture.

Another exciting recognition came from tED magazine and our inclusion as one of the winners of their Best of the Best Marketing Award which recognizes distributors and manufacturers for excellence in marketing strategies and execution in various categories.

We continue to invest in our future, and we have successfully completed major projects, such as standing up our most recent Mexico facility, along with other projects that will deliver capacity and efficiency benefits.

We remain committed to growing our business by expanding our power quality portfolio and developing new acquisition opportunities. We are focused on building the infrastructure to better support our efforts in these areas, which in turn will support future growth.

Thank you for your continued support.

ADRIAN THOMAS
CHIEF EXECUTIVE OFFICER

Management's Discussion **AND ANALYSIS**

Our **VISION**

To be a transformative force that electrifies the world.

Our **MISSION**

We simplify electrification by shaping power solutions with our customers.

Hammond Power Solutions Inc. ("HPS" or the "Company") enables electrification through its broad range of dry-type transformers, power quality products and related magnetics. HPS' standard and custom-designed products are essential and ubiquitous in electrical distribution networks through an extensive range of end-user applications. The Company has manufacturing plants in Canada, the United States ("U.S."), Mexico and India and sells its products around the globe. HPS shares are listed on the Toronto Stock Exchange and trade under the symbol HPS.A.

Hammond Power Solutions – Energizing our world

The following is Management's Discussion and Analysis ("MD&A") of the Company's consolidated financial position as at June 28, 2025 and December 31, 2024 and financial performance for the three and six months ended June 28, 2025, and June 29, 2024, and should be read in conjunction with the accompanying unaudited Condensed Interim Consolidated Financial Statements of the Company for the second quarter of fiscal 2025. This information is based on Management's knowledge as at July 24, 2025. The Company assumes that the reader of this MD&A has access to and has read the audited Annual Consolidated Financial Statements and MD&A of the Company, contained in our 2024 Annual Report and accordingly, the purpose of this document is to provide a second quarter update to the information contained in the fiscal 2024 MD&A. All amounts in this report are expressed in thousands of Canadian dollars unless otherwise noted. Additional information relating to the Company may be found on SEDAR's website at www.sedarplus.ca, or on the Company's website at www.hammondpowersolutions.com.

Caution regarding forward-looking information

This MD&A contains forward-looking statements that involve a number of risks and uncertainties, including statements that relate to among other things, Hammond Power Solutions Inc.'s (the "Corporation" or "HPS") strategies, intentions, plans, beliefs, expectations and estimates, in connection with general economic and business outlook, prospects and trends of the industry, expected demand for products and services, product development and the Corporation's competitive position.

Forward-looking statements 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 the Corporation 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 risks related to foreign currency fluctuations and changing interest rates); risks associated with the Corporation’s business environment (such as risks associated with the financial condition of the oil and gas, mining and infrastructure project business); geopolitical risks; climate related risks; changes in laws and regulations; operational risks (such as risks related to existing and developing new products and services; doing business with partners and suppliers; product sales and performance; legal and regulatory proceedings; dependence on certain customers and suppliers; costs associated with raw materials, products and services; human resources; and the ability to execute strategic plans. The Corporation 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.

This forward-looking information represents our views as of the date of this MD&A and such information should not be relied upon as representing our views as of any date subsequent to the date of this MD&A. We have attempted to identify important factors that could cause actual results, performance or achievements to vary from those current expectations or estimated, expressed or implied by the forward-looking information. However, there may be other factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations.

There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.

Additional GAAP and Non-GAAP measures

This document uses the terms “earnings from operations” which represents earnings before finance and other costs/(income) and income taxes. “EBITDA” is also used and is defined as earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA represents EBITDA adjusted for foreign exchange gain or loss and share-based compensation. In 2025 adjusted earnings per share (“EPS”) has been disclosed which represents EPS adjusted for foreign exchange gain or loss and share-based compensation. Comparative figures have also been presented. Net cash or net indebtedness is defined as the bank operating lines of credit net of cash and cash equivalents. Net income taxes payable or receivable is defined as current income taxes receivable less current income taxes payable. Operating earnings, EBITDA, adjusted EBITDA and adjusted EPS are some of the measures the Company uses to evaluate operational profitability. Net cash or net indebtedness and net income taxes payable or receivable are measures the Company uses to evaluate balance sheet strength. The Company presents EBITDA to show its performance before interest, taxes, and depreciation and amortization. The Company presents EPS to measure the company's profitability on a per share basis. Management believes that HPS shareholders and potential investors in HPS use additional GAAP and non-GAAP financial measures, such as operating earnings, net cash or net indebtedness, net income taxes payable/receivable, EBITDA, adjusted EBITDA and adjusted EPS in making investment decisions about the Company and to measure its operational results. A reconciliation of earnings from operations, EBITDA, adjusted EBITDA and adjusted EPS to net earnings for the quarters ending June 28, 2025, and June 29, 2024, is contained within this MD&A. Earnings from operations, EBITDA and adjusted EBITDA should not be construed as a substitute for net earnings determined in accordance with IFRS Accounting Standards.

"Order bookings" represent confirmed purchase orders for goods or services received from our customers. "Backlog" represents all unshipped customer orders. Customer orders in Order bookings and Backlog may not have confirmed ship dates, as the customer may not know the date at which it would like to take delivery at the time of placing the order. A significant percentage of Order bookings could be cancelled by customers without penalty, provided HPS has not commenced purchasing or production for that order. "Book value per share" is the total shareholders' equity divided by the average outstanding shares. The terms "earnings from operations", "EBITDA", "adjusted EBITDA", "adjusted EPS", "order bookings", "backlog" and "book value per share" do not have any standardized meaning prescribed within IFRS and therefore may not be comparable to similar measures presented by other companies.

The Company's Quarter 2, 2025 consolidated financial statements, which comprise the consolidated statements of financial position as at June 28, 2025, and December 31, 2024, the consolidated statements of operations, comprehensive income, changes in equity and cash flows for the three and six months ended June 28, 2025, and June 29, 2024, and Notes thereto, have been prepared under IAS 34, Interim Financial Reporting.

Sales

Geography	**Q2, 2025**	Q2, 2024	$ Change	% Change	**YTD 2025**	YTD 2024	$ Change	% Change
U.S. & Mexico*	$ 157,581	$ 133,176	$ 24,405	18.3%	$ 298,487	$ 263,908	$ 34,579	13.1%
Canada	58,577	55,858	2,719	4.9%	110,212	104,154	6,058	5.8%
India	8,261	8,178	83	1.0%	17,123	19,830	(2,707)	(13.7%)
Total	**$ 224,419**	**$ 197,212**	**$ 27,207**	**13.8%**	**$ 425,822**	**$ 387,892**	**$ 37,930**	**9.8%**

* When stated in U.S. dollars, U.S. and Mexico Quarter 2 sales have increased from $97,370 in 2024 to $113,577 in 2025, an increase of $16,207 or 16.6%. Year-to-date, when stated in U.S. dollars, sales have increased from $194,371 in 2024 to $211,729 in 2025, an increase of $17,357 or 8.9%.

Quarterly U.S. and Mexico sales were favourably impacted by a 1.4% stronger U.S. dollar ("USD"), $1.00 USD = $1.387 Canadian dollar ("CAD") compared against $1.00 USD = $1.367 CAD in Quarter 2, 2024. Year-to-date sales were favourably affected by a 4.0% stronger U.S. dollar, $1.00 USD = $1.412 Canadian dollar compared against $1.00 USD = $1.358 CAD in Quarter 2, 2024.

Year-to-date, the U.S. market experienced its strongest growth in the private label channel and steady growth in the distribution channel. The Company continued to grow both the number of new customers, as well as sales within existing customers. The Original Equipment Manufacturer ("OEM") channel and private labels channels have increased in the quarter versus prior year, with relatively more business shifting to private label. The two channels have also increased on a year-to-date basis with strong sales to switchgear manufacturers, motor control, mining and data centres.

The Canadian market continued to grow through the distribution channel in both stock and flow product and large projects in commercial construction, electric vehicle ("EV") charging, data centres, public infrastructure, oil and gas, mining, utilities and motor control.

Indian sales for Quarter 2, 2025 were $8,261 compared to $8,178 in Quarter 2, 2024, an increase of $83. Year-to-date sales were $17,123 for 2025 and $19,830 for 2024, a decrease of $2,707. The decline on the year-to-date values is related to project delays from Quarter 1 and Quarter 2 that have been pushed into the latter half of the year.

Quarter 2, 2025 sales stated by geographic segment were derived from U.S. sales of 70.2% (Quarter 2, 2024 – 67.6%) of total sales, Canadian sales of 26.1% (Quarter 2, 2024 – 28.3%) and Indian sales of 3.7% (Quarter 2, 2024 – 4.1%). Year-to-date sales by geographic segment were U.S. sales of 70.1% (2024 – 68.0%) of total sales, Canadian sales of 25.9% (2024 – 26.9%) and Indian sales of 4.0% (2024 – 5.1%).

In total, sales are 13.8% higher than in Quarter 2, 2024 and year-to-date 9.8% higher than the first six months of 2024. The Micron Group LLC ("Micron") acquisition accounts for 3.7% increase in the quarter and 3.6% increase year-to-date. There was a price increase at the beginning of Q2, 2025 resulting in 4.4% increase in the quarter and 1.7% year-to-date.

Backlog

The Company's Quarter 2, 2025 backlog increased by 8.4% as compared to Quarter 2, 2024. The Company's backlog decreased 8.0% from Quarter 1, 2025 as a record level of orders were shipped in the second quarter. Our ongoing capacity expansions across key locations are driving improvements in lead times, enhancing our ability to respond to customer demand with greater speed and efficiency.

The backlog cycle is longer for large project driven, mostly custom product, which can be over one year for some factories. For those factories focused on standard product, the backlog does not generally extend beyond six to eight weeks. While a strong backlog should be viewed as a positive indicator of future business activity, long lead times are often a limiting factor for backlog growth, as excessive lead times will lead certain customers to seek alternate suppliers.

The backlog represents a customer's intent to buy, but not all orders in the backlog have firm ship dates, and in cases where work has not begun, many can be cancelled without penalty.

Gross margin

The Company saw a decrease in its gross margin rate for the three months of Quarter 2, 2025 which was 30.7% compared to Quarter 2, 2024 margin rate of 32.8%, a decrease of 210 basis points. The year-to-date gross margin rate decreased from 32.3% in 2024 to 31.1% in 2025, a decrease of 120 basis points. The decline in gross margin is mainly the result of higher material costs related to commodity volatility and inflation in the supply chain. The Company implemented a price increase in April 2025, which was not fully realized in the quarter. The gross margin was negatively impacted by approximately 123 basis points due to unabsorbed factory overhead at its new facilities in Mexico as was expected as the facilities ramp up production.

Margin performance remains sensitive to fluctuations in selling prices, commodity cost volatility, customer mix, and geographic sales distribution. In the interest of protecting gross margins, the Company has been proactive in anticipating cost increases, judicious in maintaining margins and conscientious of our customer relationships. Key inputs to our products include electrical steel, copper, aluminum, insulation, carbon steel, resin and fiberglass, as well as labour and overheads. Generally, the price of commodities had been stable over the course of 2024, while labour and overhead costs continued to increase. During the second quarter, we began to experience some inflationary pressures on some input purchases such as aluminum wire, insulation and hardware. The company has increased prices as its underlying costs rise and will cosider future increases as competitive conditions permit.

The increase in sales volumes in Quarter 2, 2025, along with similar organic growth in 2024, has resulted in certain facilities operating at or near capacity. To address this, the Company has invested in additional equipment across existing manufacturing sites over the past 24 months, enabling a steady increase in shipping volumes without a corresponding expansion in facility footprint. In addition, the opening of a new facility in Mexico in late 2024 is expected to alleviate future capacity constraints and allow for a more secure supply chain. The Company's newest facility in Mexico is expected to open next quarter, with its financial and operational impact anticipated to begin in the fourth quarter of 2025.

The Company continues to focus on long-term investment to support future sales and margin growth. Gross margin rates are sustained by the maintenance of market prices combined with material procurement and engineering cost reduction initiatives. The Company has reaped the benefits of higher absorption of factory overheads due to increased sales volume, with the exception of new facilities. Purchasing at scale, continuous improvement programs, a focus on higher-margin solutions and products and maintaining flexible manufacturing capabilities will all contribute to the ability to maintain and improve margins over time.

Selling and distribution expenses

Total selling and distribution expenses were $24,665 in Quarter 2, 2025 or 11.0% of sales versus $20,591 in Quarter 2, 2024 or 10.4% of sales, an increase of $4,074 or an increase of 60 basis points. Year-to-date selling and distribution expenses were $46,985 or 11.0% of sales in 2025 compared to $41,658 or 10.7% of sales in 2024, an increase of $5,327 or 30 basis points. The quarter and year-to-date increase in selling and distribution expenses is a result of higher variable freight and commission expenses attributed to the increase in sales.

General and administrative expense

General and administrative expenses were $24,465 or 10.9% of sales for Quarter 2, 2025 compared to Quarter 2, 2024 expenses of $9,062 or 4.6% of sales, an increase of $15,403 or 170 basis points. Removing the impact of share-based compensation, general and administrative expenses were $15,361 or 6.8% of sales in Quarter 2, 2025 compared to $15,089 or 7.7% of sales in Quarter 2, 2024, an increase of $272 and a decrease of 90 basis points.

Year-to-date general and administration expenses were $28,210 or 6.6% of sales in 2025 compared to $38,201 or 9.8% of sales in 2024, a decrease of $9,991 or 320 basis points. Removing the impact of share-based compensation, year-to-date general and administrative expenses were $29,962 or 7.0% of sales in 2025 compared to $27,557 or 7.1% of sales in 2024, an increase of $2,405 and a decrease of 10 basis points.

Key drivers for the increases in the quarterly general and administrative expenses are as follows:

- The higher second quarter share price along with additional vesting units resulted in a share-based compensation expenses of $9,104 in Quarter 2, 2025 compared to a recovery of $6,027 in Quarter 2, 2024.

DOLLARS IN THOUSANDS UNLESS OTHERWISE STATED

Year-to-date the share-based compensation recovery is $1,752 in 2025 compared to an expense of $10,644 in 2024, a decrease of $12,396;

- General and administrative expenses related to newly acquired Micron were $1,355 in the quarter;
- Approximately $580 in the Quarter of the increase is associated with strategic investments in people resources and incentive plans; and
- Investments in technology and cloud-based software increased expenses by $433 in the quarter.

HPS continues to invest in growth while remaining very cognizant of prudent general and administrative expense management.

Earnings from operations[1]

Quarter 2, 2025 earnings from operations were $19,682 compared to $35,090 for the same quarter last year, a decrease of $15,408 or 43.9%. The decrease on the quarter is primarily related to an increase in share-based compensation, increased selling and freight expenses and decreased gross margins offset by an increase in sales. Year-to-date the earnings from operations were $57,129 in 2025 compared to $45,389 in 2024, an increase of $11,740 or 25.9%. Year-to-date the increase is related to lower share-based compensation and higher sales, offset by lower gross margins, higher selling, distribution, general and administrative expenses.

Earnings from operations are calculated as outlined in the following table:

	Quarter 2, 2025	Quarter 2, 2024	**YTD 2025**	YTD 2024
Net earnings	$ 13,376	$ 23,590	$ 39,598	$ 31,542
Add/(Subtract):				
Income tax expense	4,933	9,373	14,619	12,168
Interest expense	768	191	1,199	408
Foreign exchange loss	572	1,903	1,647	1,205
Other	33	33	66	66
Earnings from operations	$ 19,682	$ 35,090	$ 57,129	$ 45,389

Net Finance and other costs

Net interest expense for Quarter 2, 2025 was $768, an increase of $577 compared to the Quarter 2, 2024 expense of $191. Year-to-date interest expense was $1,199 in 2025 and $408 in 2024, an increase of $791. The increased interest in the quarter and year-to-date is due to an increase in bank indebtedness to fund working capital requirements and a decrease in interest earned on money market funds. Net Interest expense includes all bank fees.

The foreign exchange loss in Quarter 2, 2025 was $572 compared to $1,903 in Quarter 2, 2024 – a change of $1,331. Year-to-date the foreign exchange loss was $1,647 in 2025 compared to $1,205 in 2024, an increase of $442. This loss relates primarily to the transactional exchange pertaining to the Company's U.S. dollar trade accounts receivable and payable. The change of the foreign exchange expenses for the year is related to the volatility in the exchange rates during the year – primarily the U.S. dollar.

[1] Refer to Non-GAAP financial measures on page 3 of this quarterly report

As at June 28, 2025, the Company had outstanding foreign exchange contracts in place for 14,500 Euros ("EUR") and $19,000 USD. Both were implemented as an economic hedge against translation gains and losses on inter-company loans and outstanding forward exchange contracts for $23,000 USD – an economic hedge of U.S. dollar denominated accounts payable in HPS Canada operations.

Income taxes

Quarter 2, 2025 income tax expense was $4,933 compared to $9,373 in Quarter 2, 2024 a decrease of $4,440 or 47.4%. Year-to-date income tax expenses was $14,619 in 2025 compared to $12,168 in 2024, an increase of $2,451 or 20.1%.

The consolidated effective tax rate[1] for Quarter 2, 2025 was 26.9% versus 28.4% for Quarter 2, 2024, a decrease of 1.5%. Year-to-date the effective tax rates were 27.0% in 2025 and 27.8% in 2024, a decrease of 0.8%. The changes in the effective tax rates are impacted by changes in the earnings mix of the Company as income is generated from different geographical tax jurisdictions and is subject to diverse tax rates and regulations.

The Company's deferred tax assets and liabilities are related to temporary differences in various tax jurisdictions, primarily reserves and allowances, which are not deductible in the current year. A difference in the carrying value of property, plant and equipment and intangible assets for accounting purposes and for tax purposes is a result of business combination accounting and a different basis of depreciation utilized for tax purposes.

Net earnings

Net earnings for Quarter 2, 2025 finished at $13,376 compared to net earnings of $23,590 in Quarter 2, 2024, a decrease of $10,214. The decrease in the quarter is primarily a result of increased share-based compensation, increased freight and commissions offset by increased sales.

Year-to-date net earnings for 2025 finished at $39,598 compared to net earnings of $31,542 in Quarter 2, 2024, an increase of $8,056. The increase in the year-to-date net earnings is due to higher sales, higher gross margin dollars and lower share-based compensation offset by higher selling and distribution expenses and higher general and administrative expenses.

Earnings per share

Basic earnings per share were $1.12 for Quarter 2, 2025 versus $1.98 in Quarter 2, 2024, a decrease of $0.86. Year-to-date the basic earnings per share[2] were $3.33 in 2025 compared to $2.65 in 2024, an increase of $0.68.

Adjusted for foreign exchange losses and share-based compensation expenses adjusted earnings per share were $1.72 for Quarter 2, 2025 versus $1.73 for Quarter 2, 2024. Year-to-date adjusted earnings per share were $3.32 for 2025 compared to $3.37 in 2024.

[1] Effective tax rate is calculated as the income tax expense divided by the earnings before income taxes

[2] Refer to Non-GAAP financial measures on page 3 of this quarterly report

DOLLARS IN THOUSANDS UNLESS OTHERWISE STATED

Adjusted earnings per share are calculated as outlined in the following table:

	Quarter 2, 2025	Quarter 2, 2024	**YTD 2025**	YTD 2024
Net earnings before tax	$ 18,309	$ 32,963	$ 54,217	$ 43,710
Add (Subtract):				
Long-term incentive plan ("LTIP") (recovery) expense	2,691	(660)	(360)	5,174
Deferred Share Units ("DSU") (recovery) expense	6,413	(5,367)	(1,392)	5,470
Foreign exchange loss	572	1,903	1,647	1,205
Adjusted net earnings before tax	$ 27,985	$ 28,839	$ 54,112	$ 55,559
Adjusted net earnings	20,445	20,639	39,521	40,092
Adjusted earnings per share	1.72	1.73	3.32	3.37

EBITDA

EBITDA for Quarter 2, 2025 was $23,720 versus $36,711 in Quarter 2, 2024, a decrease of $12,991 or 35.4%. Adjusted for foreign exchange loss/gain and share-based compensation expenses adjusted EBITDA for Quarter 2, 2025 was $33,396 versus $32,587 in Quarter 2, 2024, an increase of $809 or 2.5%. Year-to-date EBITDA was $64,417 in 2025 and $51,710 in 2024, an increase of $12,707 or 24.6%. Year-to-date adjusted EBITDA was $64,312 in 2025 and $63,559 in 2024, an increase of $753 or 1.2%.

EBITDA and adjusted EBITDA are calculated as outlined in the following table:

	Quarter 2, 2025	Quarter 2, 2024	**YTD 2025**	YTD 2024
Net earnings	$ 13,376	$ 23,590	$ 39,598	$ 31,542
Add:				
Interest expense	768	191	1,199	408
Income tax expense	4,933	9,373	14,619	12,168
Depreciation and amortization	4,643	3,557	9,001	7,592
EBITDA	$ 23,720	$ 36,711	$ 64,417	$ 51,710
Add (Subtract):				
Long-term incentive plan ("LTIP") (recovery) expense	2,691	(660)	(360)	5,174
Deferred Share Units ("DSU") (recovery) expense	6,413	(5,367)	(1,392)	5,470
Foreign exchange loss (gain)	572	1,903	1,647	1,205
Adjusted EBITDA	$ 33,396	$ 32,587	$ 64,312	$ 63,559

Summary of quarterly financial information (unaudited)

Fiscal 2025 Quarters	Q1, 2025	Q2, 2025	YTD Total
Sales	$ 201,403	$ 224,419	$ 425,822
Net earnings	$ 26,222	$ 13,376	$ 39,598
Net earnings per share – basic	$ 2.20	$ 1.12	$ 3.33
Net earnings per share – diluted	$ 2.20	$ 1.12	$ 3.33
Average U.S. to Canadian exchange rate	$ 1.436	$ 1.387	$ 1.412

Fiscal 2024 Quarters	Q1, 2024	Q2, 2024	Q3, 2024	Q4, 2024	Total
Sales	$ 190,680	$ 197,212	$ 191,972	$ 208,476	$ 788,340
Net earnings	$ 7,952	$ 23,590	$ 16,311	$ 23,678	$ 71,531
Net earnings per share – basic	$ 0.67	$ 1.98	$ 1.37	$ 1.99	$ 6.01
Net earnings per share – diluted	$ 0.67	$ 1.98	$ 1.37	$ 1.99	$ 601
Average U.S. to Canadian exchange rate	$ 1.348	$ 1.368	$ 1.365	$ 1.394	$ 1.369

HPS sales increased in Quarter 2, 2025 to a record level for HPS. Increased demand for product and additional capacity allowed the Company to reach this sales level. The ongoing increase in sales quarter-over-quarter is a function of increased pricing, higher volume and additional sales related to Micron, Mesta Electronics LLC ("Mesta") and Mexico. Sales trends have been positively impacted by the stronger U.S. dollar exchange.

Gross margin rates have decreased in Quarter 2 2025, over prior year and Quarter 1, 2025. The margin rate decrease is primarily related to cost increases in key inputs and product mix.

Capital resources and liquidity

The Company continued to focus on generating cash from operations, debt management, investment and liquidity.

Year-to-date the net cash used in operating activities was $2,966 in 2025 compared to net cash generated of $24,941 in 2024, a change of $27,907, due to higher working capital requirements in 2025. The year-to-date non-cash working capital used was $53,360 in 2025 and $24,567 in 2024.

Cash generated by financing activities was $17,777 in 2025 and cash used of $13,103 in 2024. The change is due to advances on bank operating lines in the current year compared to repayments in the prior year.

Year-to-date cash used in investing activities was $19,682 in 2025 and $17,165 in 2024, an increase of $2,517. Capital expenditures were $11,760 in Quarter 2, 2025 compared to $9,868 for Quarter 2, 2024, an increase of $1,892. Year-to-date capital expenditures were $19,682 in 2025 and $17,355 in 2024. The previously announced investments in increased capacity are beginning to increase capital expenditures as the year progresses. This investment is associated with our multi-year capital expansion plans to support growth.

DOLLARS IN THOUSANDS UNLESS OTHERWISE STATED

Bank operating lines of credit have increased $28,293 since the year-end balance of $12,983. The increase in the bank operating lines of credit during Quarter 2, 2025 is due to increased income tax payments, higher working capital requirements and increased capital expenditures.

The Company's overall net operating debt balance was $13,419[1], a decrease of $34,521 from the net operating cash balance of $21,102[2] at December 31, 2024. The Quarter 2, 2024 net operating cash balance was $34,871[3], a change of $48,290 as of Quarter 2, 2025.

All bank covenants continue to be met as at June 28, 2025.

The Company will utilize its cash generated from operations combined with the existing available credit facilities to finance ongoing business operational cash requirements for working capital, capital expenditures and investment activities going forward.

Contractual obligations

The following table outlines payments due for each of the next 5 years and thereafter related to debt, lease, purchase and other long-term obligations.

	2025	2026	2027	2028	2029 & Thereafter	Total
Accounts payable and accrued	$ 121,115	–	–	–	–	$ 121,115
Capital expenditure purchase	19,682	-	–	–	–	19,682
Bank operating lines	41,276	-	-	-	-	41,276
Lease liabilities	6,349	5,439	4,397	4,043	5,302	25,530
Contingent consideration	845	-	-	-	-	845
Total	$ 189,267	$ 5,439	$ 4,397	$ 4,043	$ 5,302	$ 208,448

Regular quarterly dividend

The Board of Directors of HPS declared a quarterly cash dividend of twenty-seven and a half cents ($0.275) per Class A Subordinate Voting Share of HPS and a quarterly cash dividend of twenty-seven and a half cents ($0.275) per Class B Common Share of HPS paid on June 27, 2025 to shareholders of record at the close of business on June 20, 2025. The ex-dividend date was June 20, 2025. Year-to-date the Company has paid a cash dividend of fifty-five cents ($0.55) per Class A Subordinate Voting Share and of fifty-five cents ($0.55) per Class B Shares.

Controls and procedures

The Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures and for establishing and maintaining adequate internal controls over financial reporting. The control framework used in the design of disclosure controls and procedures and internal control over financial reporting is the 2013 Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("2013 COSO Framework"). Our internal control system was designed to provide reasonable

[1] Overall net operating debt balance is the bank operating lines of credit of $41,276 net the cash and cash equivalents balance of $27,857.
[2] Overall net operating cash balance is the cash and cash equivalents of $34,085 net of bank operating lines of credit of $12,983.
[3] Overall net operating cash balance is the cash and cash equivalents of $48,068 net of bank operating lines of credit of $13,197.

assurance to our Management and Board of Directors regarding the preparation and fair presentation of published financial statements in accordance with IFRS Accounting Standards. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

During Quarter 2, 2025 there were no material changes identified in HPS' internal controls over financial reporting that had materially affected or was reasonably likely to materially affect HPS' internal control over financial reporting. HPS does carry out ongoing improvements to its internal controls over financial reporting, but nothing considered at a material level.

Risks and uncertainties

The Company's goal is to proactively manage risks in a structured approach in conjunction with strategic planning, with the intent to preserve and enhance shareholder value. However, as with most businesses, HPS is subject to several marketplace, industry and economic-related business risks, which could cause our results to vary materially from anticipated future results. The Company is aware of these risks and continually assesses the current and potential impacts that they have on the business. HPS continuously strives to curtail the negative impact of these risks through diversification of its core business, market channel expansion, breadth of product offering, geographic diversity of its operations and business hedging strategies.

Implementation of tariffs

The potential execution of executive orders that will apply duties to goods of Canadian and Mexican origin could represent a significant risk to HPS. If tariffs were implemented, the level of risk depends on the competitive response to the higher costs that most transformer providers will face. The Company has a substantial manufacturing presence in Canada and Mexico, and as the importer of record in the U.S., would be responsible for remitting the tariffs. The imposition of tariffs could significantly affect gross margins and working capital requirements. Currently the majority of the company's products fall under the Canada-United States-Mexico Agreement (CUSMAS). The company has developed a response plan if tariffs were to be implemented. The Company's short-term efforts would be focused on protecting margins and ensuring an orderly supply to our North American customers.

Market supply and demand impact on commodity prices

HPS relies on a global supply chain to meet its manufacturing needs. The Company sources both raw materials and components from our own factories and third-party suppliers. Industry supply shortages including those caused by logistics disruptions and global conflicts, may interrupt manufacturing production, therefore affecting our ability to ship products to customers. One particular commodity that is specific to the transformer industry is grain-oriented electrical steel ("GOES"). GOES is produced in relatively few mills in the world and as a result HPS is heavily reliant on foreign sourced products. The Company attempts to mitigate these commodity risks through supplier agreements and supplier diversification.

The cyclical effects and unprecedented rise of global commodity prices, including prices for copper, aluminum and electrical steel may put margins at risk. There is a risk in our ability to recoup the rapid escalating commodity costs through timely and effective selling price increases. Conversely, there is a risk that decreasing commodity costs will create competitive price pressure in our market, forcing prices down and reducing our gross margins.

If any of the following risks were to occur, they could materially adversely affect HPS' financial condition, liquidity or results of operations.

Risk of cyber attack

Globally there have been increased incidences of outside cyberattacks and viruses on companies' information infrastructure and technologies. A successful cyber-attack could result in misappropriation of assets, cause interruptions to manufacturing and our ability to take orders, as well as impact our general productivity. This risk is reduced through several initiatives to mitigate exposure, including a transition to cloud-based applications, periodic risk assessments, and more robust practices around employee training and awareness and system updates.

Attraction and retention of skilled talent

Hammond Power Solutions is known for its engineering depth and expertise. As we enter into broader power electronics solutions, a key to our continual growth along with maintaining our current core business, will be our ability to acquire and retain key engineering talent. As the world moves to electrification to support decarbonization, as well as onshoring of critical components within North America, competition for top-tier engineers to rival companies has been elevated. As our world undergoes electrification, another significant transformation is occurring as a substantial number of baby boomers retire. HPS, too, experiences the effects of these demographic changes, particularly in the retirement of key and essential skill sets.

The demand for skilled engineering professionals is exceeding the available global supply, making it harder to find and attract the right talent locally or globally. This is leading to extended recruitment lead times, increased salary expectations and elevating labour costs. The need to choose a candidate quickly due to multiple competing offers can lead to a misalignment in terms of cultural fit. This misalignment has the potential to compromise both the quality of our projects and the cohesion of our teams, all while posing a challenge to maintaining our organizational culture during periods of rapid expansion. Our culture serves as a pivotal component of our brand reputation within our market.

Given organizations are competing for limited engineering resources, the risk of poaching or high turnover remains a concern. Proactive and creative recruitment strategies, competitive compensation packages and intentional retention strategies to preserve cultural fit are ways we are ensuring these risks to delivering our growth initiatives are mitigated.

We may not realize all of the anticipated benefits of our acquisitions, divestitures, joint ventures or strategic initiatives, or these benefits may take longer to realize than expected.

In order to be profitable, the Company must successfully execute upon its strategic initiatives and effectively manage the resulting changes in its operations. The Company's assumptions underlying its strategic initiatives may be subjective, the market may react negatively to these plans and HPS may not be able to successfully execute these plans. Even if successfully executed, the initiatives may not be effective or may not lead to the anticipated benefits within the expected time frame.

HPS' strategic initiatives can include acquisitions and joint ventures. To be successful, management will conduct due diligence to identify valuation issues and potential loss contingencies, negotiate transaction terms, complete complex transactions and manage post-closing matters such as the integration of acquired startup businesses. Management's due diligence reviews are subject to the completeness and accuracy of disclosures made by third parties. The Company may incur unanticipated costs or expenses following a completed acquisition, including post-closing asset impairment charges, expenses associated with eliminating duplicate facilities, litigation or other liabilities.

Many of the factors that could have an adverse impact will be outside of management's control and could result in increased costs and decreases in the amount of expected revenues and diversion of management's time and attention. Failure to implement an acquisition strategy, including successfully integrating acquired businesses, could have an adverse effect on our business, financial condition and result of operations.

We sell to customers around the world and have global operations and, therefore, are subject to the risks of doing business in many countries.

HPS does business in a host of countries around the world. Approximately 75% of our sales are to customers outside of Canada. In addition, several of our manufacturing operations, suppliers and employees are located in many places around the world. The future success of our business depends in large part on growth in our sales in non-Canadian markets. Our global operations are subject to numerous financial, legal and operating risks, such as political and economic instability; prevalence of corruption in certain countries; enforcement of contract and intellectual property rights; and compliance with existing and future laws, regulations and policies, including those related to tariffs, investments, taxation, trade controls, product content and performance, employment and repatriation of earnings.

Our global business translates into conducting business in various currencies, all of which are subject to fluctuations.

HPS' global footprint exposes the Company to currency fluctuations and volatility and, at times, has had a significant impact on the financial results of the Company. The Company's functional currency is the Canadian dollar with its operating results reported in Canadian dollars. A significant portion of the Company's sales and material purchases are denominated in U.S. dollars. There is a natural hedge, as sales denominated in U.S. dollars are largely offset by the cost of raw materials purchased from the U.S. and commodities tied to U.S. dollar pricing. A change in the value of the Canadian dollar against the U.S. dollar will impact earnings, significantly at times. Generally, a lower value for the Canadian dollar compared to the U.S. dollar will have a beneficial impact on the Company's results, while a higher value for the Canadian dollar compared to the U.S. dollar will have a corresponding negative impact on the Company's profitability.

HPS has partially reduced the impact of foreign exchange fluctuations by increasing our U.S. dollar driven manufacturing output, periodically instituting price increases to help offset negative changes and entering into forward foreign exchange contracts.

Worldwide HPS is subject to, and required to comply with, multiple income and other taxes, regulations and is exposed to uncertain tax liabilities risk.

The Company operates and is subject to income tax and other forms of taxation in numerous tax jurisdictions. Taxation laws and rates, which determine taxation expenses, may vary significantly in different jurisdictions, and legislation governing taxation laws and rates is also subject to change. Therefore, the Company's earnings may be impacted by changes in the proportion of earnings taxed in different jurisdictions, changes in taxation rates, changes in estimates of liabilities and changes in a number of other forms of taxation. Tax structures are subject to review by both domestic and foreign taxation authorities. Tax filings are subject to audits, which could materially change the amount of current and deferred income tax assets and liabilities.

We face the potential harms of natural disasters, pandemics, acts of war, terrorism, international conflicts or other disruptions to our operations.
Our business depends on the movement of goods around the world. Natural disasters, pandemics, acts or threats of war or terrorism, international conflicts, political instability and the actions taken by governments could cause damage to or disrupt our business operations, our suppliers or our customers and could create economic instability. Although it is not possible to predict such events or their consequences, these events could decrease demand for our products make it difficult or impossible to deliver our products or disrupt our global material sourcing.

Political uncertainty and potential for changes in the business environment can lead to legislative changes that could impact business.
Changing legislative mandates in the countries with which we do business may result in several geopolitical risks that could be challenging for the Company. The impact of these political changes can be difficult to predict and can have a pervasive impact on the global business climate. Changes in political leaders can impact trade relations as well as taxes and/or duties. HPS' current structure includes a significant amount of business that crosses borders and any changes in the current trade structure could have a material impact for us. HPS' global footprint will be critical to mitigating any impact for political changes that would modify the current trade relationships.

Our industry is highly competitive.
HPS faces competition in all of our market segments. Current and potential competitors may have greater brand name recognition, more established distribution networks, access to larger customer bases and substantially greater financial, distribution, technical, sales and market, manufacturing and other resources than HPS does. As a result, those competitors may have advantages relative to HPS; including stronger bargaining power with suppliers that may result in more favourable pricing, the ability to secure supplies at time of shortages, economies of scale in production, the ability to respond more quickly to changing customer demands and the ability to devote greater resources to the development, promotion and sales of their products and services. If HPS is unable to compete effectively, it may experience a loss of market share or reduced profitability. We expect the level of competition to remain high in the future.

Our business is highly sensitive to global and regional economic conditions in the industries we serve.
Current global economic conditions influence the Company's focus, direction, strategic initiatives and financial performance. To address the current uncertainty, we are focusing our efforts on projects that will increase our market reach, advance our cost competitiveness, expand capacity and improve our manufacturing flexibility.

The Company believes that being an agile organization will hold even greater importance in its ability to respond quickly to both unexpected opportunities and challenges. HPS' management believes that the key to expanding our market share is growing our access to a variety of domestic and global markets. This will be achieved through our current and new OEM and distributor channels.

The disruption to businesses that can come from unpredictable weather can have an impact on sales volume as customer projects can be delayed or cancelled.
Extreme weather conditions such as heavy rains, flooding, snowfall, tornadoes and hurricanes can potentially have a negative impact on the Company's

sales trends and booking rates. When these conditions are present, the Company may see short-term effects of such occurrences due to their unpredictability. This may impact delivery and capacity requirements.

The business practice of extending credit to customers can lead to a risk of uncollectability.

A substantial portion of the Company's accounts receivable are with customers in manufacturing sectors and are subject to credit risks normal to those industries. The Company's expansion into emerging markets increases credit risk. This risk is partially mitigated by management's credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references. Sale limits are established for each customer and reviewed quarterly. Any sales exceeding those limits require approval from Executive management. Although the Company has historically incurred very low bad debt expense, the current economic environment conditions elevate this exposure and the Company's future collection rate may differ from its historical experience.

Off-balance sheet arrangements

The Company has no off-balance sheet arrangements other than capital expenditure commitments disclosed in Notes to the Consolidated Financial Statements contained in our 2024 Annual Report.

Transactions with related parties

The Company had no transactions with related parties in 2025, other than transactions disclosed in Note 11 to the Condensed Consolidated Interim Financial Statements contained in our Quarter 2, 2025 Report.

Proposed transactions

The Company had no proposed transactions as at June 28, 2025. The Company continues to evaluate potential business expansion initiatives in accordance with its long-term growth strategy.

Financial instruments

As at June 28, 2025, the Company had outstanding foreign exchange contracts in place for 14,500 EUR and $19,000 USD with both implemented as a hedge against translation gains and losses on inter-company loans as well as $23,000 USD to hedge the U.S. dollar denominated accounts payable in Canadian operations of HPS.

Critical accounting estimates

The preparation of the Company's condensed consolidated interim financial statements requires Management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. These estimates are based upon Management's historical experience and various other assumptions that are believed by Management to be reasonable under the circumstances.

Such assumptions and estimates are evaluated on an ongoing basis and form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

The Company conducts its annual impairment assessment of goodwill, intangible assets and property, plant and equipment in the fourth quarter of each year, which corresponds with its annual planning cycle, and whenever events or changes in circumstances indicate that the carrying amount of an asset or Cash Generating Unit ("CGU") may not be recoverable. The Company did not identify any triggering events during the course of Quarter 2, 2025 indicating that the carrying amount of its assets and CGUs may not be recoverable, which would require the performance of an impairment test for those CGUs which did not contain goodwill.

Business Combinations requires acquirers to recognize the identifiable assets acquired and liabilities assumed at fair value. The determination of fair value requires Management to make estimates around the value that an independent third party, under no compulsion to act, would pay for an asset acquired or liability assumed on a standalone basis. Where possible, Management engages third-party appraisers to assist in the determination of the fair value of real property acquired. The fair value of acquired intangible assets are generally determined using discounted cash flow models and involve the use of cash flow forecasts, market-based discount rates, and/or market-based royalty rates. The fair value of liabilities assumed is generally based on discounted cash flow models which involves the use of market-based discount rates. The development of cash flow forecasts involves the use of estimates, which may differ from actual cash flows realized. Assumptions are involved in the determination of discount rates and royalty rates.

The Company records a provision for warranties based on historical warranty claim information and anticipated warranty claims, based on a weighted probability of possible outcomes.

The key assumptions made by management in recording the provision are i) warranty cost, ii) probability of claim, and iii) quantum of units which may be subject to any warranty claim.

Quantifying provisions inherently involves judgment, and future events and conditions may impact these assumptions. Differences in actual future experience from the assumptions utilized may result in a greater or lower warranty cost.

Outstanding share data

Details of the Company's outstanding share data as of July 24, 2025 are as follows:

9,126,624	Class A Shares
2,778,300	Class B Common Shares
11,904,924	Total Class A and B Shares

Strategic direction and outlook

HPS has a rich and extensive history of growth, innovation and resilience and continues to experience significant growth and progress. The Company has navigated through difficult and fluctuating economic times, increased globalization, adapted to changes in customers and markets and has experienced significant advances in technology. HPS has framed these challenges as opportunities and developed strategies to address these rapid changes.

The Company is confronting these challenges and continuously building our strategic advantage by focusing on:

- Developing our Customers and Markets by:
  - Driving organic growth through continuing to develop our distribution network;
  - Offering competitive products, including an expanding product quality offering;
  - Providing unparalleled service to our customers; and
  - Growing through strategic acquisitions.
- Achieving Operational and Financial Excellence by:
  - Driving continuous improvement;
  - Improving efficiency by investing in equipment, people and technology; and
  - Optimizing the efficiency of our global manufacturing footprint.
- Developing our People and Culture by:
  - Designing energy efficient products;
  - Shrinking our ecological footprint; and
  - Energizing the world in a responsible way for the generations to come.

- Building a Sustainability Program by
  - Designing energy efficient products;
  - Shrinking our ecological footprint; and
  - Energizing the world in a responsible way for the generations to come.

The Company will continue to grow in its existing channels by increasing its share of products by offering solutions that cater to the customer's specific needs. This will involve broadening the breadth of solutions that HPS offers, including power quality solutions.

With a focus on growth and advancement, HPS intends to spend approximately $80,000 on capital expansion projects over 2023 through 2025, of which approximately $64,000 has been spent to date. Included in this program was $20,000 announced in August 2024 that will be focused on increasing its planned capital program over two years to build capacity to manufacture custom power transformers in Mexico. These planned capital investments are focused on areas targeted to increase capacity and reduce lead times for low voltage distribution power, large power, power quality and induction heating products. These investments are also expected to support HPS' supply chain resilience initiatives.

During Quarter 2, 2025 HPS continued to make significant investments in capital to continue to enhance our manufacturing plants and build capacity. As we grow, we are investing in equipment and machinery that will allow us to keep up with future demand and allow us to optimize our manufacturing capabilities at our various locations. We are also investing in business technology that will help us become more efficient and provide us with the data that we need to improve our business.

Our acquisition of Mesta in 2021 has expanded HPS' offering into standard and custom active filter and induction heating products. Mesta shares an excellent reputation for product quality, design and reliability. Mesta not only expands HPS' U.S. presence but also broadens our power solutions product offering and manufacturing capabilities in power quality solutions. Mesta continues to contribute to both the increase in revenue as well as the increase in profits.

During Quarter 4, 2024 HPS completed an acquisition of assets and liabilities relating to the operations of Micron Industries Corporation. The acquisition was structured as a business combination through the U.S entity. The combined expertise of our teams is a significant step forward in our growth strategy to offer an even broader array of innovative solutions to our customers and strengthen our reputation for high quality products and services, especially within our OEM markets. Industrial control transformers are essential for protecting sensitive equipment and align with our focus on power quality solutions. With rising demand for U.S.-made products in energy efficiency and automation projects, integrating Micron Industries into HPS is expected to enhance our ability to meet this growing market. Micron's U.S.-based manufacturing strengthens our service to customers across the U.S. and North America, supporting our domestic growth and industrialization efforts. The integration of Micron into HPS continues with the current focus on implementing our Enterprise Resource Planning ("ERP") system to go live later this year

In Quarter 2, 2025 HPS continued with the Certification by Great Place to WorkTM at all Canada, U.S. and India locations from 2024 while also gaining the Certification at all Mexico locations. This accomplishment highlights the Company's focus on building talent and preserving our culture through our significant growth. This certification can also be a strong tool when recruiting future talent.

The Company continues to have a strong reputation for being an industry leader and is both operationally and financially strong. HPS is well positioned to meet the evolving needs of our traditional markets while becoming a leading player in a growing number of other market sectors. We continue to focus on escalation of market share, improved sales growth from new product development, geographic diversification, productivity gains, cost reduction and capacity flexibility.

The Company has provided shareholders with strong earnings per share, solid cash generation and quarterly dividends paid with an attractive yield. To continue this trend, HPS is focused on sales development, continued distributor channel expansion, product development, and bringing quality and value to all that we produce. Our strategic initiatives and focused plans will continue to allow HPS to grow and expand.

HPS' strategic vision and operational initiatives have supported our industry leadership, operational strength and financial stability. The combination of our resilience, drive, decades of experience, commitment, engineering expertise, solid supplier relationships and a broad and unique business perspective gained through our diverse products, customers and markets are all key success factors for HPS.

Selected Annual and Quarterly Information

(tabular amounts in thousands of dollars)

The information contained in the following table presents the historic audited annual financial information as at December 31 and the unaudited financial information for the previous eight quarters up to and including the Second Quarter of 2025. The quarterly information has been extracted from our unaudited consolidated financial statements, which in the opinion of Management are prepared in accordance with the IFRS accounting framework as noted.

Annual Information	2020	2021	2022	2023	**2024**
Sales	322,097	380,202	558,464	710,064	**788,340**
Earnings from operations	22,041	23,151	59,441	86,721	**98,760**
EBITDA	29,482	30,114	69,746	95,995	**112,873**
Adjusted EBITDA	29,359	30,675	69,650	117,229	**130,484**
Net (loss) earnings	14,062	15,176	44,828	63,399	**71,531**
Total assets	189,394	235,099	302,673	408,343	**493,141**
Non-current liabilities	8,329	7,104	8,101	12,500	**17,620**
Total liabilities	75,478	109,097	125,779	177,965	**185,104**
Total shareholders' equity attributable to equity holders of the Company	113,916	126,002	176,894	230,378	**308,037**
Operating debt, net of cash	(1,278)	1,638	21,972	34,120	**21,102**
Cash provided by operations	19,683	20,447	37,013	44,108	**64,751**
Basic (loss) earnings per share	1.20	1.29	3.79	5.33	**6.01**
Diluted (loss) earnings per share	1.20	1.28	3.77	5.33	**6.01**
Dividends declared and paid	3,993	4,009	4,556	6,548	**11,607**
Average exchange rate (USD$=CAD$)	1.343	1.253	1.301	1.350	**1.369**
Book value per share	9.70	10.69	15.00	19.54	**25.87**

	2023		**2024**				**2025**	
Quarterly Information	Q3	Q4	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**
Sales	179,521	186,958	190,680	197,212	191,972	208,476	201,403	224,419
Earnings from operations	20,480	24,661	10,299	35,090	23,665	29,706	37,447	19,682
EBITDA	23,657	26,749	14,999	36,711	27,229	33,934	40,697	23,720
Adjusted EBITDA	25,689	37,081	30,972	32,587	34,377	32,548	30,916	33,396
Net earnings	14,437	19,903	7,952	23,590	16,311	23,678	26,222	13,376
Total assets	373,761	408,343	422,778	431,532	454,285	493,141	510,406	526,049
Non-current liabilities	8,373	12,500	11,893	11,066	15,226	17,620	16,390	17,341
Total liabilities	155,952	177,965	184,440	168,513	183,115	185,104	181,581	199,613
Total shareholders' equity attributable to equity holders of the Company	217,809	230,378	238,338	263,019	271,170	308,037	328,825	326,436
Operating cash (debt)	22,130	34,120	30,893	34,871	32,913	21,102	4,840	(13,419)
Cash (used in) provided by operations	22,159	21,053	6,285	18,656	17,397	22,413	(3,008)	42
Basic earnings per share	1.21	1.68	0.67	1.98	1.37	1.99	2.20	1.12
Diluted earnings per share	1.21	1.68	0.67	1.98	1.37	1.99	2.20	1.12
Dividends declared and paid	1,787	1,785	1,786	3,276	3,271	3,274	3,274	3,273
Average exchange rate (USD$=CAD$)	1.340	1.365	1.348	1.368	1.368	1.396	1.436	1.387
Book value per share	18.47	19.54	20.02	22.09	22.78	25.87	27.62	1.387

Condensed Consolidated Statements of Financial Position

(unaudited) (in thousands of dollars)

	As at June 28, 2025	As at December 31, 2024
Assets		
Current assets		
Cash and cash equivalents	$ 27,857	$ 34,085
Accounts receivable	157,523	140,400
Inventories	154,679	143,276
Income taxes receivable	6,278	5,274
Prepaid expenses and other assets (note 4)	8,598	10,692
Total current assets	354,935	333,727
Non-current assets		
Property, plant and equipment (note 5)	123,922	110,323
Investments (note 6)	5,401	5,390
Deferred tax assets	14,034	13,967
Intangible assets	12,421	13,730
Goodwill	15,336	16,004
Total non-current assets	171,114	159,414
Total assets	$ 526,049	$ 493,141
Liabilities		
Current liabilities		
Bank operating lines of credit	$ 41,276	$ 12,983
Accounts payable and accrued liabilities	121,115	134,919
Deferred revenue	3,148	4,277
Income taxes payable	7,625	6,054
Provisions	3,028	3,168
Current portion of lease liabilities (note 7)	6,080	6,083
Total current liabilities	182,272	$ 167,484
Non-current liabilities		
Provisions	439	454
Deferred tax liabilities	2	2
Long-term portion of lease liabilities (note 7)	16,900	17,164
Total non-current liabilities	17,341	17,620
Total liabilities	$ 199,613	$ 185,104
Shareholders' Equity		
Share capital	15,761	15,761
Contributed surplus	2,289	2,289
Accumulated other comprehensive income (note 9)	11,713	26,365
Retained earnings	296,673	263,622
Total shareholders' equity	$ 326,436	$ 308,037
Total liabilities and shareholders' equity	$ 526,049	$ 493,141

See accompanying notes to condensed consolidated interim financial statements

Condensed Consolidated Statements of Operations

(unaudited) (in thousands of dollars, except per share amounts)

	Three Months Ending		Six Months Ending	
	June 28, 2025	June 29, 2024	**June 28, 2025**	June 29, 2024
Sales (note 10)	$ 224,419	$ 197,212	$ 425,822	$ 387,892
Cost of sales	155,607	132,469	293,498	262,644
Gross margin	68,812	64,743	132,324	125,248
Selling and distribution	24,665	20,591	46,985	41,658
Other general and administrative	15,361	15,089	29,962	27,557
Share based compensation	9,104	(6,027)	(1,752)	10,644
Total general and administrative	24,465	9,062	28,210	38,201
	49,130	29,653	75,195	79,859
Earnings from operations	$ 19,682	$ 35,090	$ 57,129	$ 45,389
Finance and other costs				
Interest expense	768	191	1,199	408
Foreign exchange loss	572	1,903	1,647	1,205
Other	33	33	66	66
Net finance and other costs	1,373	2,127	2,912	1,679
Earnings before income taxes	18,309	32,963	54,217	43,710
Income tax expense	4,933	9,373	14,619	12,168
Net earnings	$ 13,376	$ 23,590	$ 39,598	$ 31,542
Earnings per share				
Basic earnings per share	$ 1.12	$ 1.98	$ 3.33	$ 2.65
Diluted earnings per share	$ 1.12	$ 1.98	$ 3.33	$ 2.65

See accompanying notes to condensed consolidated interim financial statements

Condensed Consolidated Statements of Comprehensive Income

(unaudited) (in thousands of dollars)

	Three Months Ending		Six Months Ending	
	June 28, 2025	June 29, 2024	**June 28, 2025**	June 29, 2024
Net earnings	$ 13,376	$ 23,590	$ 39,598	$ 31,542
Other comprehensive income (loss)				
Foreign currency translation differences for foreign operations (note 9)	(12,492)	1,091	(14,652)	6,161
Total comprehensive income for the period	$ 884	$ 24,681	$ 24,946	$ 37,703

See accompanying notes to condensed consolidated interim financial statements

Condensed Consolidated Statement of Changes in Equity

(unaudited) (in thousands of dollars) For the six months ended June 28, 2025

	SHARE CAPITAL	CONTRIBUTED SURPLUS	AOCI*	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
Balance at January 1, 2025	$ 15,761	$ 2,289	$ 26,365	$ 263,622	$ 308,037
Total comprehensive income for the year					
Net earnings	–	–		39,598	39,598
Other comprehensive income (loss)					
Foreign currency translation differences (note 9)	–	–	(14,652)	–	(14,652)
Total other comprehensive loss	–	–	(14,652)	–	(14,652)
Total comprehensive (loss) income for the year	–	–	(14,652)	39,598	24,946
Transactions with owners, recorded directly in equity					
Dividends to equity holders (note 8)	–	–	–	(6,547)	(6,547)
Total transactions with shareholders	–	–	–	(6,547)	(6,547)
Balance at June 28, 2025	$ 15,761	$ 2,289	$ 11,713	$ 296,673	$ 326,436

*AOCI – Accumulated other comprehensive income
See accompanying notes to condensed consolidated interim financial statements

Condensed Consolidated Statement of Changes in Equity

(unaudited) (in thousands of dollars) For the six months ended June 29, 2024

	SHARE CAPITAL	CONTRIBUTED SURPLUS	AOCI*	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
Balance at January 1, 2024	$ 15,761	$ 2,289	$ 8,630	$ 203,698	$ 230,378
Total comprehensive income for the year					
Net earnings	–	–	–	31,542	31,542
Other comprehensive income					
Foreign currency translation differences (note 9)	–	–	6,161	–	6,161
Total other comprehensive income	–	–	6,161	–	6,161
Total comprehensive income for the year	–	–	6,161	31,542	37,703
Transactions with owners, recorded directly in equity					
Dividends to equity holders (note 8)	–	–	–	(5,062)	(5,062)
Total transactions with shareholders	–	–	–	(5,062)	(5,062)
Balance at June 29, 2024	$ 15,761	$ 2,289	$ 14,791	$ 230,178	$ 263,019

*AOCI – Accumulated other comprehensive income
See accompanying notes to condensed consolidated interim financial statements

Condensed Consolidated Statements of Cash Flows

(unaudited) (in thousands of dollars)

	Six Months Ending	
	June 28, 2025	June 29, 2024
Cash flows from operating activities		
Net earnings	$ 39,598	$ 31,542
Adjustments for:		
Depreciation of property, plant and equipment	8,319	7,069
Amortization of intangible assets	682	523
Provisions	508	(606)
Interest expense	1,199	408
Income tax expense	14,619	12,168
Share-based compensation expense	(1,752)	10,644
Change in unrealized loss (gain) on derivatives included within other assets	1,272	(54)
	64,445	61,694
Change in non-cash working capital (note 12)	(53,359)	(24,567)
Cash generated by operating activities	11,086	37,127
Income tax paid	(14,052)	(12,186)
Net cash (used in) generated by operating activities	(2,966)	24,941
Cash flows from investing activities		
Repayment of lease receivable payment	–	1,545
Investment (note 6)	–	(1,300)
Acquisition of intangible assets	–	(55)
Acquisition of property, plant and equipment (note 5)	(19,682)	(17,355)
Cash used in investing activities	(19,682)	(17,165)
Cash flows from financing activities		
Net advances (repayments) of bank operating lines of credit	28,293	(5,274)
Payment of lease liabilities (note 7)	(3,335)	(2,769)
Cash dividends paid (note 8)	(6,547)	(5,062)
Interest (paid) received	(634)	2
Cash generated by (used in) financing activities	17,777	(13,103)
Foreign exchange on cash held in a foreign currency	(1,357)	804
Decrease in cash	(6,228)	(4,523)
Cash and cash equivalents at beginning of period	34,085	52,591
Cash and cash equivalents at end of period	$ 27,857	$ 48,068

See accompanying notes to condensed consolidated interim financial statements

1. Reporting entity

Hammond Power Solutions Inc. ("HPS" or "the Company") is a company domiciled in Canada. The address of the Company's registered office is 595 Southgate Drive Guelph, Ontario. The Company's Class A subordinate voting shares are listed on the Toronto Stock Exchange and trade under the symbol HPS.A.

The unaudited condensed consolidated interim financial statements of the Company as at and for the second quarter ended June 28, 2025 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group enables electrification through its broad range of dry-type transformers, power quality products and related magnetics. HPS' standard and custom-designed products are essential and ubiquitous in electrical distribution networks through an extensive range of end-user applications. The Company has manufacturing plants in Canada, the United States ("U.S."), Mexico and India and sells its products around the globe.

2. Basis of preparation

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with requirements of IAS 34, Interim Financial Reporting and do not include all of the information required for full annual financial statements.

These condensed consolidated interim financial statements were approved by the Board of Directors on July 24, 2025.

b) Use of estimates and judgements

The preparation of the condensed consolidated interim 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, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In preparing these condensed consolidated financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended December 31, 2024.

Three and six months ended June 28, 2025 and June 29, 2024 (tabular amounts in thousands of dollars except share and per share amounts)

3. Summary of significant accounting policies

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Group's 2024 annual audited financial statements, which are available on SEDAR+'s website at www.sedarplus.ca. The significant accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company in its Consolidated Financial Statements as at and for the year ended December 31, 2024, with the exception of items noted below:

Changes to accounting policies

The Company adopted the amendments to IAS 21, Lack of exchangeability (Amendments to IAS 21), in its financial statements for the annual period beginning on January 1, 2025. The adoption of the amendments did not have a material impact on the consolidated financial statements.

4. Prepaid expenses and other assets

		June 28, 2025		December 31, 2024
Prepaid expenses	$	8,598	$	9,245
Derivative asset		–		1,447
	$	8,598	$	10,692

5. Property, plant and equipment

Property, plant and equipment comprise owned and leased assets that do not meet the definition of investment property. Carrying amounts of owned and right of use assets are as follows:

		June 28, 2025		December 31, 2024
Property, plant and equipment owned	$	103,197	$	90,765
Right-of-use assets		20,725		19,558
	$	123,922	$	110,323

The Group had acquisitions of property, plant and equipment owned for the six months ended June 28, 2025, in the amount of $19,682,000 made up of $1,022,000 of buildings, $14,853,000 of machinery and equipment, $2,998,000 of leasehold improvements and $809,000 of computer equipment (2024 – $17,355,000 made up of $2,717,000 of buildings, $11,682,000 of machinery and equipment, $2,064,000 of leasehold improvements and $892,000 of computer equipment).

Three and six months ended June 28, 2025 and June 29, 2024 (tabular amounts in thousands of dollars except share and per share amounts)

Right of use assets

The Group leases many assets including buildings, vehicles and office equipment. Information about leases for which the Group is a lessee is presented below.

		Buildings		Vehicles		Total
Balance at January 1, 2025	$	18,793	$	765	$	19,558
Additions		3,226		177		3,403
Depreciation		(2,474)		(184)		(2,658)
Effect of movements in exchange rates		432		(10)		422
Balance at June 28, 2025	$	19,977	$	748	$	20,725

6. Investments

		June 28, 2025		December 31, 2024
Investment in properties	$	2,801	$	2,790
Investment in convertible debentures		2,600		2,600
	$	5,401	$	5,390

i) Investment in properties

The Group has a 50% ownership interest in a property in Georgetown, Ontario. The property is carried at cost of $1,044,000. The estimated fair value of the property as at June 28, 2025 is $1,150,000. The fair value was determined based on independent available market evidence, with reference to comparable market transactions.

The Group owns a property in Marnate, Italy. The property is carried at cost of $4,094,000 (net of accumulated depreciation of $2,337,000). The estimated fair value of the property as at June 28, 2025 is 2,130,000 Euros (approximately $3,419,000). The fair value was determined based on independent available market evidence, based on comparable property sales, by an independent valuator.

ii) Investment in convertible debentures

On March 22, 2024, HPS entered into a financing agreement with SmartD Technologies Inc. ("SmartD"). In the agreement, the Corporation can invest up to $3,900,000 over three years in convertible debentures of SmartD. SmartD Technologies produces advanced motor control products, most notably it's Clean Power Variable Frequency Drive™. SmartD's products combine motor drives with harmonic mitigating technology that help businesses save energy, lower costs and minimize their carbon footprint.

As of June 28, 2025 the investment of $2,600,000 is included in Level 3 of the fair value hierarchy, measured at fair value through profit and loss. As of June 28, 2025 nil had been recorded through profit and loss. To determine the fair value of the investment, Management considered the progress of the development of the technology as well as the need to generate additional funding.

Three and six months ended June 28, 2025 and June 29, 2024 (tabular amounts in thousands of dollars except share and per share amounts)

7. Lease and other long-term liabilities

	June 28, 2025	December 31, 2024
Lease liabilities	$ 22,135	$ 22,402
Contingent consideration	845	845
	22,980	23,247
Current	6,080	6,083
Non-Current	$ 16,900	$ 17,164

Right of use liability maturity analysis – contractual undiscounted cash flows	June 28, 2025	December 31, 2024
Less than one year	$ 6,349	$ 5,879
One to five years	17,561	16,295
More than five years	1,620	3,464
Total undiscounted lease liabilities	$ 25,530	$ 25,638
Less: effect of discounting and foreign exchange	$ (3,395)	$ (3,236)
Lease liabilities included in the statement of financial position	$ 22,135	$ 22,402
Current	$ 5,235	$ 5,238
Non-current	$ 16,900	$ 17,164

	Six Months Ending	
Amounts recognized in statement of operations	June 28, 2025	June 29, 2024
Interest on lease liabilities	$ 565	$ 410

	Six Months Ending	
Amounts recognized in statement of cash flows	June 28, 2025	June 29, 2024
Payment of lease liabilities	$ 3,335	$ 2,769

Three and six months ended June 28, 2025 and June 29, 2024 (tabular amounts in thousands of dollars except share and per share amounts)

8. Share capital

a) Dividends:

The following dividends were declared and paid by the Company:

	Six Months Ending	
	June 28, 2025	June 29, 2024
55 cents per Class A common share (2024: 42.5 cents)	$ 5,019	$ 3,880
55 cents per Class B common share (2024: 42.5 cents)	1,528	1,182
	$ 6,547	$ 5,062

b) Deferred Share Units

The Company maintains a deferred share unit plan in order to issue deferred share units ("DSUs") to non-employee directors and senior executives of HPS.

The movement in DSUs for the six months ended June 28, 2025 and June 29, 2024 was as follows:

	Number of DSUs	Closing Share Price
Balance at January 1, 2024	168,135	$ 81.70
DSUs issued	3,054	113.19
Balance at June 29, 2024	171,189	$ 111.49

	Number of DSUs	Closing Share Price
Balance at January 1, 2025	174,517	$ 128.04
DSUs issued	13,182	103.53
DSUs settled	(44,309)	84.56
Balance at June 28, 2025	143,390	$ 120.00

An expense of $6,413,000 for the three months ended June 28, 2025 and a recovery of $1,392,000 for the six months ended June 28, 2025 was recorded in general and administrative expenses (three months ended June 29, 2024 – a recovery of $5,367,000; six months ended June 29, 2024 an expense of $5,470,000). The liability of $17,207,000 (December 31, 2024 - $22,345,000) related to these DSUs is included in accounts payable and accrued liabilities.

Three and six months ended June 28, 2025 and June 29, 2024 (tabular amounts in thousands of dollars except share and per share amounts)

c) Long Term Incentive Plan

The Long Term Incentive Plan ("LTIP") consists of an annual grant made to the Chief Executive officer and other executive officers of Performance Share Units ("PSU") and Restricted Share Units ("RSU").

The movement in PSUs and RSUs for the three months ended June 28, 2025 and June 29, 2024 was as follows:

	Number of PSUs	Number of RSUs	Total Number of Units	Closing Share Price
Issued Balance at January 1, 2024	67,239	44,825	112,064	
Units issued	6,232	4,156	10,388	
Units settled	(26,574)	(17,716)	(44,290)	
Issued Balance at June 29, 2024	46,897	31,265	78,162	$ 111.49

	Number of PSUs	Number of RSUs	Total Number of Units	Closing Share Price
Vested Balance at January 1, 2024	66,343	30,539	96,882	
Units vested	10,592	4,413	15,005	
Units settled	(39,862)	(17,716)	(57,578)	
Vested Balance at June 29, 2024	37,073	17,236	54,309	$ 111.49

	Number of PSUs	Number of RSUs	Total Number of Units	Closing Share Price
Issued Balance at January 1, 2025	46,897	31,265	78,162	
Units issued	12,622	8,413	21,035	
Units settled	(17,028)	(11,352)	(28,380)	
Issued Balance at June 28, 2025	42,491	28,326	70,817	$ 120.00

	Number of PSUs	Number of RSUs	Total Number of Units	Closing Share Price
Vested Balance at January 1, 2025	49,461	22,444	71,905	
Units vested	10,488	2,560	13,048	
Units settled	(25,543)	(11,352)	(36,895)	
Vested Balance at June 28, 2025	34,406	13,652	48,058	$ 120.00

An expense of $2,691,000 for the three months ended June 28, 2025 and a recovery of $360,000 for the six months ended June 28, 2025 was recorded in general and administrative expenses (three months ended June 30, 2024 – recovery of $660,000; six months ended June 29, 2024 expense of $5,170,000). The liability of $6,033,000 (December 31, 2024 - $9,785,000) related to these PSUs and RSUs is included in accounts payable and accrued liabilities.

Three and six months ended June 28, 2025 and June 29, 2024 (tabular amounts in thousands of dollars except share and per share amounts)

9. Accumulated other comprehensive income

Changes to the accumulated other comprehensive income ("AOCI") balance include foreign currency translation differences relating to the net assets of foreign operations which have been determined to have functional currencies under IFRS that are their respective domestic currencies. Total other comprehensive loss for the three months ended June 28, 2025 was $12,492,000 and six months ended June 28, 2025 was $14,652,000 (three months ended June 29, 2024 – income of $1,091,000 and six months ended June 29, 2024 was income of $6,161,000), of which $14,652,000 (Quarter 2, 2024 – $6,161,000) relates to the translation of wholly-owned subsidiaries, resulting in an ending balance as at June 28, 2025 of accumulated other comprehensive income of $11,713,000 (June 29, 2024 – $14,791,000).

10. Sales

	Three Months Ending		Six Months Ending	
	June 28, 2025	June 29, 2024	**June 28, 2025**	June 29, 2024
United States and Mexico	$ 157,581	$ 133,176	$ 298,487	$ 263,908
Canada	58,577	55,858	110,212	104,154
India	8,261	8,178	17,123	19,830
	$ 224,419	$ 197,212	$ 425,822	$ 387,892

As at June 28, 2025 the Company had contract liabilities of $3,148,000 (December 31, 2024 – $4,277,000).

11. Related party transactions

Related parties

William G. Hammond, Chair of the Board, directly and indirectly, through Arathorn Investments Inc., beneficially owns 2,778,300 (December 31, 2024 – 2,778,300) Class B common shares of the Company, representing 100% of the issued and outstanding Class B common shares of the Company and 424,636 (December 31, 2024 – 424,636) Class A subordinate voting shares of the Company, representing approximately 4.7% (2024 – 4.7%) of the issued and outstanding Class A subordinate voting shares of the Company and as a result controls the Company. William G. Hammond, Chair of the Board, owns all of the issued and outstanding shares of Arathorn Investments Inc. Total dividends paid during the quarter, directly and indirectly to William G. Hammond were $881,000, year-to-date were $1,762,000 (three months ended June 29, 2024 $1,018,000; six months ended June 29, 2024 $1,573,000).

Three and six months ended June 28, 2025 and June 29, 2024 (tabular amounts in thousands of dollars except share and per share amounts)

12. Change in non-cash operating working capital

The table below depicts the receipt of (use of) cash for working capital purposes by the Company:

	Six Months Ending	
	June 28, 2025	June 29, 2024
Accounts receivable	$ (17,123)	$ (15,104)
Inventories	(11,403)	(2,784)
Prepaid expenses and other assets	647	1,974
Accounts payable and accrued liabilities	(13,325)	(16,969)
Deferred revenue	(1,129)	3,481
Provisions	(663)	–
Settlement of derivatives	1,447	–
Foreign exchange	(11,810)	4,835
	$ (53,359)	$ (24,567)

HPS Global Offices

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595 Southgate Drive
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Hammond Power Solutions Latin America S. de R.L. de C.V.
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United States

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Micron Group, LLC
1801 Westwood Drive
Sterling, IL 61081

Corporate Information

Auditors

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Transfer Agent and Registrar

Computershare Investor Share Services Inc.
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Toronto, Ontario Canada M5J 2Y1

Investor Relations

Contact: David Feick, Investor Relations
Phone: 519.822.2441 x453
Email: ir@hammondpowersolutions.com

Stock Exchange Listing

Toronto Stock Exchange (TSX)
Trading Symbol: HPS.A

Corporate Officers and Directors

Officers

Catherine McKeown
Chief People Officer

Adrian Thomas
Chief Executive Officer
& Director

Richard Vollering
Chief Financial Officer
& Corporate Secretary

John Bailey
Chief Operations Officer

Paul Gaynor
Chief Information Officer

David Kinsella
Chief Commercial Officer

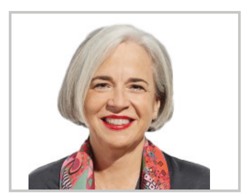
Directors

William G. Hammond
Chair of the Board &
Audit Member

Frederick M. Jaques
Lead Director

Dahra Granovsky
Governance Chair

Christopher R. Huether
Audit Member



Nathalie L. Pilon
Governance Member

Anne Marie Turnbull
Human Resources &
Compensation Chair

David Wood
Audit Chair

Gregory Yull
Human Resources &
Compensation Member

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ARE CERTAIN TO MISS THE FUTURE.

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