hammond
POWER SOLUTIONS

For the three months ended March 28, 2026

Q1 Report
2026

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Who We Are

Hammond Power Solutions is a North American leader in dry-type transformers and power quality solutions, providing engineered products for the safe and reliable distribution of electrical power across industries including renewable energy, industrial facilities, commercial construction, digital infrastructure, and transportation. Our strengths lie in engineering expertise, manufacturing capabilities, and enduring customer relationships.

hammond
POWER SOLUTIONS

Our VISION

To be a transformative force that electrifies the world.

Our MISSION

We simplify electrification by shaping power solutions with our customers.

Our VALUES

We Care

We do the right thing

We strive to be better

We win together

Built for What's Next

With the evolution of the power landscape and technologies, Hammond Power Solutions is well positioned to lead. Decades of engineering expertise, expanding capabilities, and strong customer relationships provide a solid foundation as demand for reliable electrical infrastructure continues to increase. The pages that follow highlight the priorities guiding our long term growth and value creation, our scale and footprint.

Our Strategic Focus

1 Customers and Markets	Drive organic growth through competitive product offering and unparalleled customer experience and enhance strategic growth via acquisitions.
2 Operational and Financial Excellence	Achieve operational excellence through continuous improvement and efficiency plays, and grow revenue / EBITDA with strategic acquisitions and cost reduction initiatives.
3 People and Culture	Build the next leadership team, and be a preferred employer due to our clarity of purpose and employee value proposition.
4 Sustainability	Design energy-efficient products; shrink the ecological footprint of our operations and energize the world responsibly for generations to come.

CEO's Message to Shareholders

Dear Shareholders,

Hammond Power Solutions began 2026 with solid momentum, reflecting the strength of our diversified markets, expanding manufacturing footprint, and disciplined execution. Demand across our core end markets remained healthy during the first quarter, with significant growth supported by continued activity in data centres.

Sales for the quarter were $264.8 million, driven by custom product shipments, strength in the U.S. and Mexico, and continued data centre activity. Order activity remained high, and our backlog at the end of the quarter was up 4.1% from year-end and 94.6% from the first quarter of 2025, providing continued visibility to demand and supporting the continued ramp-up of capacity in Mexico.

Operationally, we continued to focus on converting backlog efficiently while managing cost pressures. Gross margin for the quarter was 30.1%, reflecting tariff-related input cost pressure compared with the prior year, while improving from 29.2% in the fourth quarter of 2025. That sequential improvement reflects pricing actions, positive product mix and better factory overhead absorption. While we continue to see variability in input costs and project timing, our pricing discipline and operational initiatives are positioning us well as volumes scale.

Strategically, we made significant progress on our growth initiatives. During the quarter, we announced our agreement to acquire AEG Power Solutions, subject to regulatory approvals and customary closing conditions.

We are excited to expand our team with the addition of AEG Power Solutions, which will expand our technology portfolio, broaden our geographic footprint, and add meaningful aftermarket and service capabilities. More broadly, these actions reflect the direction of the company as we continue to build a stronger portfolio of solutions that help customers manage increasingly complex power needs.

Looking ahead, we remain confident in the fundamentals of our business. Electrification, energy efficiency and power reliability continue to drive long-term demand for our products and solutions. With a strong backlog, expanding capacity, and a talented global team, HPS is well positioned to execute in 2026 while continuing to invest for the future.

I would like to thank our employees for their dedication and commitment, our customers for their continued trust, and our shareholders for their ongoing support.

Sincerely,

ADRIAN THOMAS
CHIEF EXECUTIVE OFFICER

Management's Discussion and Analysis

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 at March 28, 2026, and December 31, 2025, and performance for the three months ended March 28, 2026, and March 29, 2025 and should be read in conjunction with the accompanying unaudited Condensed Interim Consolidated Financial Statements of the Company for the first quarter of fiscal 2026. This information is based on Management's knowledge as at May 5, 2026. 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 2025 Annual Report and accordingly, the purpose of this document is to provide a first quarter update to the information contained in the fiscal 2025 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 "Company" 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 Company'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 Company 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: Trade, tariffs and export controls, including changes to tariff regimes and related impacts on costs, pricing, margins and supply availability; Geopolitical and macroeconomic risks, including global conflicts, terrorism, economic conditions, inflation, interest rate changes and related market uncertainty; Supply chain and commodity cost risks, including availability and pricing of key inputs (such as copper, aluminum and grain-oriented electrical steel) and logistics disruptions; Cybersecurity and information technology risks, including the risk of cyberattacks, ransomware, system disruptions and data incidents; Human capital risks, including attraction and retention of skilled talent, loss of key personnel, and labour relations or work stoppages; Order and backlog risks, including the risk that customer orders are cancelled, delayed or deferred and backlog is not converted into revenue as expected; Strategic execution and transaction risks, including the risk that acquisitions, divestitures, joint ventures or other strategic initiatives do not deliver anticipated benefits or take longer than expected; International operations, foreign exchange and tax risks, including compliance and operating risks across jurisdictions, currency volatility and changes in tax laws or audit outcomes; Business interruption and force majeure risks, including natural disasters, extreme weather, pandemics or other events that disrupt operations, suppliers or customers; Legal, regulatory and environmental compliance risks, including evolving environmental/ESG-related requirements and other regulatory obligations; Competitive and technological risks, including competitive pressures and the risk of technological change disrupting demand for certain products or requiring increased investment; Credit and customer risk, including the risk of uncollectible receivables arising from extending credit in the ordinary course; Product performance and liability risks, including litigation risk related to product defects, misuse, failures or alleged damages; Insurance risk, including the risk that insurance coverage is unavailable, insufficient, or becomes more costly. The Company 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. Starting in 2025 adjusted earnings per share ("EPS") was disclosed which represents EPS adjusted for foreign exchange gain or loss and share-based compensation. 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. Earnings from operations, EBITDA and Adjusted EBITDA 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. 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 in making investment decisions about the Company and to measure its operational results. A reconciliation of earnings from operations, EBITDA, adjusted EBITDA to net earnings for the quarters ending March 28, 2026, and March 29, 2025, 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 1, 2026 consolidated financial statements, which comprise the consolidated statements of financial position as at March 28, 2026, and December 31, 2025, the consolidated statements of operations, comprehensive income, changes in equity and cash flows for the three months ended March 28, 2026, and March 29, 2025, and notes thereto, have been prepared under IAS 34, Interim Financial Reporting.

Sales

Geography	**Q1, 2026**	Q1, 2025	$ Change	% Change
U.S. & Mexico*	$ 199,736	$ 140,906	$ 58,830	41.8%
Canada	53,276	51,635	1,641	3.2%
India	11,828	8,862	2,966	33.5%
Total	**$ 264,840**	**$ 201,403**	**$ 63,437**	**31.5%**

* When stated in U.S. dollars, U.S. and Mexico sales have increased from $98,151 in 2025 to $145,612 in 2026, an increase of $47,461 or 48.4%.

U.S. and Mexico sales were negatively impacted by the weakening of the U.S. dollar relative to the Canadian dollar versus 2025. First quarter sales were unfavourably affected by a 4.5% weaker U.S. dollar ("USD"), $1.00 USD = $1.372 Canadian dollar ("CAD") compared against $1.00 USD = $1.436 CAD in Quarter 1, 2025.

Sales in the U.S. market grew significantly year-over-year. January sales were unusually low due to fewer shipping days than normal while sales in February and March recovered to achieve record levels. Sales of custom product increased significantly in the first quarter driven by stronger sales to data centre applications. The increase in custom sales offset weakness in standard product sales in the quarter.

The Canadian market shipped 3.2% more than the first quarter of 2025, but also slowed versus the fourth quarter of 2025, driven by the timing of some large custom projects. Canada is experiencing general softness and increasingly competitive pricing.

Indian sales for Quarter 1, 2026 were $11,828, $2,966 higher than Quarter 1, 2025 sales of $8,862. The increase is due to the shipment of projects delayed from the fourth quarter of 2025.

Quarter 1, 2026 sales stated by geographic segment were derived from U.S. sales of 75.4% (Quarter 1, 2025 – 70.0%) of total sales, Canadian sales of 20.1% (Quarter 1, 2025 – 25.6%) and Indian sales of 4.5% (Quarter 1, 2025 – 4.4%).

Backlog

The Company's Quarter 1, 2026 backlog increased by 94.6% as compared to Quarter 1, 2025, due to large projects largely driven by data centre activity. The Company's backlog has increased 4.1% from Quarter 4, 2025, for similar reasons. With ongoing capacity expansion in several locations coming into place, we continue to improve competitive lead times, improving our ability to meet our customers' needs.

In Quarter 4 2025, several large data centre orders were received, resulting in an increase in backlog. Most of these orders are scheduled for shipment in 2026 and will primarily utilize the Company's newly established manufacturing capacity in Mexico, which was built to support the production of custom power products. To support the increase in volume, the Company is also expanding capacity at other facilities through additional equipment purchases and production optimization initiatives.

The backlog tenor is typically six to eight weeks for standard and configured product and six months for custom power products. Some larger projects requiring custom power products can extend beyond one year. The weighted average tenor of the backlog is approximately 3 quarters. While a strong backlog can 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.

The general economic outlook and economic activity within certain sectors can cause volatility in backlog. Standard product tends to track closely to general business investment, macroeconomic growth rates and electro-industry growth rates while custom products are more dependent on sectoral investment trends.

Gross margin

The Company saw a slight decrease in its gross margin rate for Quarter 1, 2026 which was 30.1% compared to Quarter 1, 2025 margin rate of 31.5%, a decrease of 140 basis points. Quarter 1 represented an increase in the gross margin rate from 29.2% in Quarter 4, 2025. The decline in gross margin from prior year reflects the impact of tariffs, both direct and indirect, which affects input costs. Margin performance remains sensitive to fluctuations in selling prices, commodity cost volatility, customer mix, and geographic sales distribution. The increase in gross margins in the first quarter versus the fourth quarter of 2025 is the result of price increase realization, improved factory overhead absorption, and a greater weighting toward custom products, offset by lower margins in some more competitive product lines and geographies.

Key inputs to the Company's products include electrical steel, copper, aluminum, insulation, carbon steel, resin and fiberglass, as well as labour and overheads. While electrical steel pricing has remained relatively stable, copper and aluminum prices have seen a steady increase recently, which are key components in transformer coils. To compensate for these and other increases, including tariffs, and has implemented its annual price increase in the first quarter of 2026.

The Company continues to focus on long-term investment to fuel future sales and margin growth. Gross margin rates are supported by the maintenance of market prices combined with material procurement and engineering cost reduction initiatives. The Company should reap the benefits of higher absorption of factory overheads as sales volumes increase. 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 $26,893 in Quarter 1, 2026 or 10.2% of sales versus $22,320 in Quarter 1, 2025 or 11.1% of sales, an increase of $4,573, which is mainly driven by higher variable freight and commission expenses associated with the increased sales volumes. The decrease of selling and distribution costs as a percentage of sales by 90 basis points is due to a higher proportion of custom sales in the quarter, which often have lower selling costs attributed to them.

General and administrative expense

General and administrative and share-based compensation expenses were $23,653 or 8.9% of sales for Quarter 1, 2026 compared to Quarter 1, 2025 expenses of $3,745 or 1.9% of sales, an increase of $19,908 or 7.0% of sales. The higher share price in Quarter 1, 2026 resulted in a share-based-compensation expense of $5,764 compared to a recovery of $10,856 in Quarter 1, 2025, an increase of $16,620 or 153.1%. Excluding the impact of share-based compensation, general and administrative expenses were $3,288, or 22.5% higher than the first quarter of 2025.

Key drivers for the current quarter increase are as follows:

- Approximately $1,404 of the change in the current year is associated with strategic investments in people resources and development and incentive plans;
- Investments in technology and cloud-based software increased expenses by $441; and
- Increases in estimated credit losses of $500 to address increased accounts receivable balances and exposure.

Earnings from operations[1]

Quarter 1, 2026 earnings from operations were $29,245 compared to $37,447 for the same quarter last year, a decrease of $8,202. The decrease in earnings from operations in the quarter is primarily a result of lower gross margin rate, an increase in share-based compensation expenses, and higher selling, distribution, general and administrative expenses, offset by higher sales.

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

	Q1, 2026	Q1, 2025
Net earnings	$ 19,565	$ 26,222
Add:		
Income tax expense	7,273	9,686
Net interest expense	1,038	431
Foreign exchange loss	1,336	1,075
Other	33	33
Earnings from operations	$ 29,245	$ 37,447

Net finance and other costs

Net finance and other costs increased $868 from an expense of $1,539 in 2025 to an expense of $2,407 in 2026. The primary increase from the prior year is a result of increased interest expense due to higher credit usage.

Net interest expense for Quarter 1, 2026 was $1,038, an increase of $607 compared to the Quarter 1, 2025 expense of $431. Interest expense increased due to higher operating line usage. Interest expense includes all bank fees.

The foreign exchange loss in Quarter 1, 2026 was $1,336 compared to a loss of $1,075 in Quarter 1, 2025 – a change of $261. 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 loss for the year is related to the volatility in the exchange rates during the year – primarily the U.S. dollar.

As at March 28, 2026, the Company had outstanding foreign exchange contracts in place for 14,500 Euros ("EUR") and $4,000 USD. Both of these were implemented as an economic hedge against translation gains and losses on inter-company loans and outstanding forward exchange contracts for $22,000 USD – an economic hedge of U.S. dollar denominated accounts payable in HPS Canada operations.

Income tax expense

Quarter 1, 2026 income tax expense was $7,273 compared to $9,686 in Quarter 1, 2025, a decrease of $2,413.

The consolidated effective tax rate[2] for Quarter 1, 2026 was 27.1% and Quarter 1, 2025 was 27.0%. Any 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 1, 2026 finished at $19,565 compared to net earnings of $26,222 in Quarter 1, 2025, a decrease of $6,657. The decrease in the quarterly net earnings is primarily a result of higher sales offset by lower gross margin rate, increased share-based compensation expenses, and higher selling, distribution, general and administrative expenses.

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

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

Earnings per share

Basic earnings per share were $1.64 for Quarter 1, 2026 versus $2.20 in Quarter 1, 2025, a decrease of $0.56. Adjusted for foreign exchange loss/gain and share-based compensation expenses adjusted earnings per share[1] were $2.08 for Quarter 1, 2026 versus $1.60 in Quarter 1, 2025, an increase of $0.48.

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

		Quarter 1, 2026		Quarter 1, 2025
Net earnings before tax	$	26,838	$	35,908
Add (Subtract):				
Long-term incentive plan ("LTIP") expense (recovery)		2,349		(3,051)
Deferred Share Units ("DSU") expense (recovery)		3,415		(7,805)
Foreign exchange loss		1,336		1,075
Adjusted net earnings before tax	$	33,938	$	26,127
Adjusted earnings		24,741		19,079
Adjusted earnings per share		2.08		1.60

EBITDA[2]

EBITDA for Quarter 1, 2026 was $33,941 versus $40,697 in Quarter 1, 2025, a decrease of $6,756. Adjusted for foreign exchange loss/gain and share-based compensation expenses, adjusted EBITDA for Quarter 1, 2026 was $41,041 versus $30,916 in Quarter 1, 2025, an increase of $10,125 or 32.8%.

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

		Quarter 1, 2026		Quarter 1, 2025
Net earnings	$	19,565	$	26,222
Add:				
Interest expense		1,038		431
Income tax expense		7,273		9,686
Depreciation and amortization		6,065		4,358
EBITDA		33,941		40,697
Add (Subtract):				
LTIP expense (recovery)		2,349		(3,051)
DSU expense (recovery)		3,415		(7,805)
Foreign exchange loss		1,336		1,075
Adjusted EBITDA	$	41,041	$	30,916

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

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

DOLLARS IN THOUSANDS UNLESS OTHERWISE STATED

Summary of quarterly financial information (unaudited)

Fiscal 2026 Quarters	**Q1, 2026**
Sales	$ 264,840
Net earnings	$ 19,565
Net earnings per share – basic	$ 1.64
Net earnings per share – diluted	$ 1.64
Average U.S. to Canadian exchange rate	$ 1.372

Fiscal 2025 Quarters	Q1, 2025	Q2, 2025	Q3, 2025	Q4, 2025	Total
Sales	$ 201,403	$ 224,419	$ 218,341	$ 254,092	$ 898,255
Net earnings	$ 26,222	$ 13,376	$ 17,440	$ 15,203	$ 72,241
Net earnings per share – basic	$ 2.20	$ 1.12	$ 1.46	$ 1.28	$ 6.07
Net earnings per share – diluted	$ 2.20	$ 1.12	$ 1.46	$ 1.28	$ 6.07
Average U.S. to Canadian exchange rate	$ 1.436	$ 1.387	$ 1.376	$ 1.397	$ 1.399

HPS sales remained strong in Quarter 1, 2026 with an increase from Quarter 4, 2025. HPS sales have had a steady upward trend in sales for the past two years. The increase in sales over the past eight quarters is a function of increased pricing as well as higher volume and additional sales related to Mesta, Mexico and Micron (starting in Quarter 4, 2024). Sales performance has also been influenced by changes in the average U.S. to Canadian dollar exchange rate, resulting in a slightly weaker U.S. dollar during the most recent period.

Gross margin rates have steadily increased quarter-over-quarter except for Quarter 4, 2025. The impact of tariffs on product imports and raw material purchases has had a negative impact on Quarter 4, 2025 margins as timing of price increases lag increased expenses.

Capital resources and liquidity

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

Cash generated by operating activities for Quarter 1, 2026 was $11,353 versus cash used in operations of $3,008 in Quarter 1, 2025, a difference of $14,361. In Quarter 1, 2026, increases in working capital used cash of $23,966 compared to $30,351 for the same quarter last year. The increase in Quarter 1, 2025 was mainly driven by inventory and accounts receivable due to higher sales. In Quarter 1, 2026, the increase in working capital was driven mainly by higher accounts receivable due to increased late quarter sales. Inventory balances are stabilizing in Quarter 1, 2026 after a large increase in 2025.

Total cash used in financing activities was $4,586 in the first three months of 2026, compared to cash generated of $9,830 in the same period in 2025. The key driver of this change is net advances of bank operating lines in the current year.

Cash used in investing activities increased year-over-year with cash used of $8,687 in Quarter 1, 2026 from $7,922 in Quarter 1, 2025, an increase of $765. Capital expenditures were $8,678 in Quarter 1, 2026 compared to $7,922 for Quarter 1, 2025, an increase of $756. This investment is associated with our multi-year capital expansion plans to support growth, and in the quarter was mainly directed at expanding production capacity at the Monterrey 3 plant.

Bank operating lines of credit have increased from prior year levels finishing Quarter 1, 2026 at $57,027 compared to $27,999 at the end of Quarter 1, 2025, an increase of $29,028. The bank operating lines of credit have increased $1,094 since the year-end balance of $55,933. The increase in the bank operating lines of credit during Quarter 1, 2026 is due to working capital requirements and capital expenditures.

The Company's overall net operating debt balance was $18,094[1], an increase of $3,071 from the net operating debt balance of $15,023[2] at December 31, 2025. The Quarter 1, 2025 net operating cash balance was $4,840[3], a change of $22,934 as of Quarter 1, 2026.

All bank covenants continue to be met as at March 28, 2026.

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.

	2026	2027	2028	2029	2030 & Thereafter	Total
Accounts payable and accrued liabilities	$ 153,270	–	–	–	–	$ 153,270
Capital expenditure purchase commitments	11,340	–	–	–	–	11,340
Bank operating lines	57,027	–	–	–	–	57,027
Lease liabilities	7,831	6,678	6,032	5,064	2,980	28,585
Contingent consideration	858	–	–	–	–	858
Total	$ 230,326	$ 6,678	$ 6,032	$ 5,064	$ 2,980	$ 251,080

Contingent liabilities

Management is not aware of any contingent liabilities.

[1] Overall net operating debt balance is the bank operating lines of credit of $57,027 net of cash and cash equivalents balance of $38,933.

[2] Overall net operating debt balance is the bank operating lines of credit of $55,933 net of cash and cash equivalents balance of $40,910.

[3] Overall net operating cash balance is the cash and cash equivalents of $32,839 net of bank operating lines of credit of $27,999.

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 March 27, 2026 to shareholders of record at the close of business on March 19, 2026. The ex-dividend date was March 19, 2026.

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 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 1, 2026, 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.

In addition to the risk factors described in the Company's Annual Information Form dated March 23, 2026, there were a number of risks and uncertainties relevant to HPS during the current period, as described under the heading "Caution Regarding Forward Looking Information".

Such risks include the following:

Political instability, geopolitical conflict and war could disrupt global supply chains and increase costs.

Political instability, geopolitical conflict and war, including conflicts affecting energy-producing regions or key transportation corridors, can disrupt global supply chains and contribute to volatility in fuel, logistics and commodity costs. Such disruptions may result in delays in the production, transportation and delivery of the Company's products, increased operating and input costs, and reduced availability of key components. In addition, heightened geopolitical uncertainty may negatively affect customer demand, purchasing behaviour or project timing, which could adversely impact the Company's operations, results of operations and financial condition.

Standards and regulatory requirements

Our products must comply with various standards, certification requirements and other regulatory requirements in the jurisdictions where we manufacture and sell, and compliance is often a condition to market, sell or install our products. These requirements may change, be reinterpreted, or be applied more stringently, which could require product redesigns, additional testing and certification, increased costs and longer lead times. If we are unable to comply on a timely basis, or if approvals or certifications are delayed, suspended or revoked, our ability to sell certain products could be reduced or eliminated, which could materially adversely affect our business, financial condition, results of operations and cash flows.

Our products are integrated into complex systems, which creates design and specification risk

Many of our products are integrated into complex electrical systems used in large-scale projects and must meet project-specific designs and specifications. If our products are, or are alleged to be, improperly designed or configured for the system, this could contribute to equipment damage, commissioning issues or project delays, even where the underlying cause is not attributable to us. As a result, we may be subject to claims or litigation for rework, replacement, delay damages or other losses. Even if we are not found liable, we could incur significant legal and other costs, and if we are found liable, the resulting damages could be significant, which could materially adversely affect our business, financial condition, results of operations and cash flows.

Our industry is highly competitive, and increased competition could reduce sales and margins

Our industry is highly competitive, and competitive pressures could reduce our sales and margins. In particular, we compete with manufacturers located in non-market economies and/or manufacturers that benefit from government subsidies or other forms of state support. Such competitors may have structurally lower costs and may be willing or able to sell products at very low margins, or at little to no profit, for sustained periods in order to gain market share. If we are unable to compete effectively against such competitors, we may experience reduced sales, loss of market share and margin compression, which could materially adversely affect our business, financial condition, results of operations and cash flows.

Certain significant projects depend on customer infrastructure architectures and design parameters, and changes to those requirements could disrupt demand and sales channels.

Large, complex projects may be specified around a customer's existing configurations and technical standards and may require engineering, qualification and procurement processes with long lead times. If customers materially change architectures, standardize platforms, redesign requirements or shift procurement approaches, our products may require requalification, be delayed, be de-specified, or be cancelled, and certain routes to market for these projects may be disrupted. Any such developments could reduce bookings, delay backlog conversion and increase volatility in results, which could materially adversely affect our business, financial condition, results of operations and cash flows.

Reliance on Distributors, Sales Agents and Other Intermediaries

We rely in part on distributors, sales agents and other intermediaries as channels to market for our products, and we may have limited visibility into, or control over, the activities, priorities and performance of these third parties. Disruption in these channels, whether from financial distress, loss of key relationships, changes in commercial terms, inventory management decisions, reputational issues, or operational challenges, could reduce demand for our products, delay order flow, or adversely affect customer service levels and our ability to reach end users.

In addition, consolidation among distributors or other intermediaries could increase their negotiating leverage, reduce the number of available routes to market, and heighten concentration risk, which may result in pricing and margin pressure, less favorable contractual terms, reduced market coverage, or loss of market access in certain regions or end markets. Any of these factors could materially adversely affect our business, financial condition, results of operations and cash flows.

Tariffs and export controls

Ongoing changes to tariffs and export controls impacting our products and supply chain represent a significant risk to HPS. The Company has a substantial manufacturing presence in Canada and Mexico, and as the importer of record in the U.S., is often responsible for remitting any tariffs implemented on our products by the U.S. government. Additionally, unless HPS is able to negotiate otherwise with its suppliers, it may be required to incur the cost of tariffs on raw materials imported into the U.S. to support U.S. manufacturing operations. The imposition of tariffs has had an impact on gross margins and working capital requirements. Tariffs and export controls may also generate a scarcity of raw materials that HPS relies on to support its operations, which may result in increased output costs, longer lead times, and reduced pricing predictability.

Cancellation or deferral of customer orders in backlog

Our business depends in part on our ability to convert customer orders in our backlog into revenue. Backlog is not necessarily indicative of future sales and may not be realized, in whole or in part, for a variety of reasons. Customers may cancel, defer, reduce, or reschedule orders, including for reasons beyond our control such as changes in their project schedules, funding constraints, permitting or regulatory delays, supply chain issues, design changes, shifts in demand, or broader economic conditions. In addition, certain customer purchasing arrangements may permit termination for convenience or provide only limited remedies in the event of cancellation. We may not have contractual recourse, or our recourse may be limited, for cancelled or deferred orders, including with respect to recovery of anticipated margins or costs incurred in connection with such orders (including materials, engineering, labour, production planning, and capacity commitments). Even where contractual remedies exist, they may be difficult to enforce or may not adequately compensate us for losses incurred.

Significant cancellations or deferrals of backlog could result in reduced sales, lower capacity utilization, inventory write-downs, increased costs, and greater volatility in our results. As a result, we may be unable to achieve our financial targets, and our business, results of operations, financial condition, cash flows, and prospects could be materially adversely affected.

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 and affect our ability to ship products to customers. One commodity, in particular, 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 this foreign sourced product.

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. Such changes could materially adversely affect HPS' business, financial condition, results of operations, or cash flows.

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.

To grow profitably, the Company must successfully execute upon its strategic initiatives and effectively manage the resulting changes in its operations. HPS' strategic initiatives include acquisitions and joint ventures. 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 such plans. Even if successfully executed, the initiatives may be ineffective or may not lead to the anticipated benefits within the expected time frame. As part of the process, management conducts due diligence to identify valuation issues and potential loss contingencies, negotiates transaction terms, completes complex transactions and manages post-closing matters such as the integration of acquired startup businesses. Many times, 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, and litigation or other liabilities.

In addition, the Company may be required to record goodwill or intangible asset impairment charges if acquired businesses do not perform as expected. Many of the factors that could have an adverse impact on the Company may be outside of management's control, including increased costs, a decrease in expected revenues or diversion of management's time and attention. Failure to implement our growth or acquisition strategy, including successfully integrating acquired businesses, taking longer for such integration to occur than initially anticipated, difficulties in entering and growing new markets or to meet adoption targets for new markets or projects, could also materially adversely effect on our business, financial condition, results of operations and cash flows.

International business, currency, and tax.

HPS does business in countries around the world. The majority of our sales are to customers outside of Canada. In addition, several of our manufacturing operations, suppliers and employees are located internationally. The future success of our business largely depends 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.

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 partially 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, in the past, a lower value for the Canadian dollar compared to the U.S. dollar has had a beneficial impact on the Company's results, while a higher value for the Canadian dollar compared to the U.S. dollar has had a corresponding negative impact on the Company's profitability. Any changes in credit risks, interest rate risks and financing access risks may also materially impact results of the Company.

For a comprehensive description of the material risk factors applicable to the Company, refer to the Company's Annual Information Form dated March 23, 2026 under the heading "Risk Factors", available on SEDAR+.

Off-balance sheet arrangements

The Company has no off-balance sheet arrangements other than bank guarantees and capital and lease commitments disclosed in Notes to the Consolidated Financial Statements contained in our 2025 Annual Report.

Transactions with related parties

The Company had no transactions with related parties in 2026, other than transactions disclosed in Note 12 in the Condensed Notes to the Condensed Consolidated Interim Financial Statements contained in our Quarter 1, 2026 Report.

Proposed transactions

In reference to the press release dated February 17, 2026, the Company announced the signing of a definitive agreement to acquire AEG Power Solutions. Completion of the acquisition is subject to foreign direct investment and similar regulatory approvals in certain jurisdictions. As of the date of this MD&A, the Company has received the majority of these approvals and has no reason to believe that the remaining approvals will not be obtained within the statutory timelines prescribed by the relevant regulators.

The Company continues to expect the transaction will be accretive to adjusted earnings per share in the first full year following closing, with anticipated returns on invested capital exceeding HPS's cost of capital. HPS intends to fund the transaction through a new committed syndicated debt arrangement, consisting of a term loan and a revolving debt facility.

The Company has no further proposed transactions as at March 28, 2026. The Company continues to evaluate potential business expansion initiatives in accordance with its long-term growth strategy.

Financial instruments

As at March 28, 2026, the Company had outstanding foreign exchange contracts in place for 14,500 EUR and $4,000 USD with both implemented as a hedge against translation gains and losses on inter-company loans as well as $22,000 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 1, 2026 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 May 5, 2026 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

There have been no material changes to the outstanding share data as of the date of this report.

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 National Association of Equipment Distributors ("NAED") channel;
- 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:
  - Building our leadership team for the future;
  - Developing our people to excel and thrive; and
  - Making HPS a preferred employer.
- 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 has invested and committed approximately $90,000 on capital expansion projects over 2023 through 2025 and into 2026. Included in this program was $20,000 announced in August 2024 that was focused on building 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 1, 2026 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. Expansion of Mesta's building continues into 2026.

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 successful implementation of our Enterprise Resource Planning ("ERP") system that went live in November 2025.

Early in Quarter 2, 2025, HPS was Certified by Great Place to Work™ at all Canada, U.S., Mexico and India 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. HPS is preparing to begin the recertification process in Quarter 2, 2026.

During August 2025, the Company determined that the expanded tariffs on steel and aluminum derivative products applied to certain materials and components included in many of HPS' products. As expected, the tariffs had a relatively uniform impact across the industry and the Company worked collaboratively with its customers and suppliers to manage and offset the effect of these additional costs.

At the beginning of September 2025 HPS was recognized in the 2025 TSX30 ranking. The TSX30 is an annual ranking of the 30 top-performing companies on the Toronto Stock Exchange based on dividend-adjusted share price performance over a three-year period ending on June 30, 2025.

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.

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.

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 First Quarter of 2026.

Annual Information	2021	2022	2023	2024	**2025**
Sales	380,202	558,464	710,064	788,340	**898,255**
Earnings from operations	23,151	59,441	86,721	98,760	**104,019**
EBITDA	30,114	69,746	95,995	112,873	**121,443**
Adjusted EBITDA	30,675	69,650	117,229	130,484	**133,330**
Net earnings	15,176	44,828	63,399	71,531	**72,241**
Total assets	235,099	302,673	408,343	493,141	**586,265**
Non-current liabilities	7,104	8,101	12,500	17,620	**19,925**
Total liabilities	109,097	125,779	177,965	185,104	**234,208**
Total shareholders' equity attributable to equity holders of the Company	126,002	176,894	230,378	308,037	**352,057**
Operating debt, net of cash	1,638	21,972	34,120	21,102	**(15,023)**
Cash provided by operations	20,447	37,013	44,108	64,751	**26,948**
Basic earnings per share	1.29	3.79	5.33	6.01	**6.07**
Diluted earnings per share	1.28	3.77	5.33	6.01	**6.07**
Dividends declared and paid	4,009	4,556	6,548	11,607	**13,095**
Average exchange rate (USD$=CAD$)	1.253	1.301	1.350	1.369	**1.399**
Book value per share	10.69	15.00	19.54	25.87	**29.57**

		2024			2025			**2026**
Quarterly Information	Q2	Q3	Q4	Q1	Q2	Q3	Q4	**Q1**
Sales	197,212	191,972	208,476	201,403	224,419	218,341	254,092	264,840
Earnings from operations	35,090	23,665	29,706	37,447	19,682	24,928	21,962	29,245
EBITDA	36,711	27,229	33,934	40,697	23,720	28,746	28,280	33,941
Adjusted EBITDA	32,587	34,377	32,548	30,916	33,396	30,290	38,727	41,041
Net earnings	23,590	16,311	23,678	26,222	13,376	17,440	15,203	19,565
Total assets	431,532	454,285	493,141	510,406	526,049	583,723	586,265	631,025
Non-current liabilities	11,066	15,226	17,620	16,390	17,341	20,223	19,925	19,107
Total liabilities	168,513	183,115	185,104	181,581	199,613	238,919	234,208	260,232
Total shareholders' equity attributable to equity holders of the Company	263,019	271,170	308,037	328,825	326,436	344,804	352,057	370,793
Operating cash (debt, net cash)	34,871	32,913	21,102	4,840	(13,419)	(28,306)	(15,023)	(18,094)
Cash (used) provided by operations	18,656	17,397	22,413	(3,008)	42	(2,137)	32,051	11,353
Basic earnings per share	1.98	1.37	1.99	2.20	1.12	1.46	1.28	1.64
Diluted earnings per share	1.98	1.37	1.99	2.20	1.12	1.46	1.28	1.64
Adjusted earnings per share	1.73	1.80	1.91	1.60	1.72	1.56	1.98	2.08
Dividends declared and paid	3,276	3,271	3,274	3,274	3,273	3,274	3,274	3,274
Average exchange rate (USD$=CAD$)	1.368	1.365	1.396	1.436	1.387	1.400	1.399	1.372
Book value per share	22.09	22.78	25.87	27.62	27.42	28.96	29.57	31.15

Consolidated Statements of Financial Position

(unaudited) (in thousands of dollars)

	As at March 28, 2026	As at December 31, 2025
Assets		
Current assets		
Cash and cash equivalents	$ 38,933	$ 40,910
Accounts receivable	203,587	168,074
Inventories	173,482	172,381
Income taxes receivable	13,042	9,106
Prepaid expenses and other assets (note 4)	10,713	8,769
Total current assets	439,757	399,240
Non-current assets		
Property, plant and equipment (note 5)	141,893	136,965
Investment in properties (note 6)	2,633	2,701
Investments (note 7)	6,326	6,326
Deferred tax assets	14,303	14,406
Intangible assets	11,357	11,633
Goodwill	14,756	14,994
Total non-current assets	191,268	187,025
Total assets	$ 631,025	$ 586,265
Liabilities		
Current liabilities		
Bank operating lines of credit	$ 57,027	$ 55,933
Accounts payable and accrued liabilities	153,270	143,048
Deferred revenue	13,415	5,946
Income taxes payable	8,350	–
Provisions	1,537	2,333
Current portion of lease and other liabilities (note 8)	7,526	7,023
Total current liabilities	241,125	214,283
Non-current liabilities		
Provisions	526	536
Deferred tax liabilities	49	75
Long-term portion of lease and other liabilities (note 8)	18,532	19,314
Total non-current liabilities	19,107	19,925
Total liabilities	$ 260,232	$ 234,208
Shareholders' Equity		
Share capital	15,761	15,761
Contributed surplus	2,289	2,289
Accumulated other comprehensive income (note 10)	13,684	11,239
Retained earnings	339,059	322,768
Total shareholders' equity	$ 370,793	$ 352,057
Total liabilities and shareholders' equity	$ 631,025	$ 586,265

Consolidated Statements of Operations

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

	Three Months Ending	
	March 28, 2026	March 29, 2025
Sales (note 11)	$ 264,840	$ 201,403
Cost of sale	185,049	137,891
Gross margin	79,791	63,512
Selling and distribution	26,893	22,320
General and administrative	17,889	14,601
Share-based compensation	5,764	(10,856)
	50,546	26,065
Earnings from operations	29,245	37,447
Finance and other costs		
Interest expense	1,038	431
Foreign exchange loss	1,336	1,075
Other	33	33
Net finance and other costs	2,407	1,539
Earnings before income taxes	26,838	35,908
Income tax expense	7,273	9,686
Net earnings	$ 19,565	$ 26,222
Earnings per share		
Basic earnings per share	$ 1.64	$ 2.20
Diluted earnings per share	$ 1.64	$ 2.20

See accompanying notes to condensed consolidated interim financial statements.

Consolidated Statements of Comprehensive Income

(unaudited) (in thousands of dollars)

	Three Months Ending	
	March 28, 2026	March 29, 2025
Net earnings	$ 19,565	$ 26,222
Other comprehensive income (loss)		
Item that will be recognized within profit and loss:		
Foreign currency translation differences for foreign operations (note 10)	2,445	(2,160)
Other comprehensive income (loss)	2,445	(2,160)
Total comprehensive income	$ 22,010	$ 24,062

See accompanying notes to condensed consolidated interim financial statements.

Consolidated Statements of Changes in Equity

(unaudited) (in thousands of dollars) For the three months ended March 28, 2026

	SHARE CAPITAL	CONTRIBUTED SURPLUS	AOCI*	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
Balance at January 1, 2026	$ 15,761	$ 2,289	$ 11,239	$ 322,768	$ 352,057
Total comprehensive income for the period					
Net income	–	–	–	19,565	19,565
Other comprehensive income					
Foreign currency translation differences (note 10)	–	–	2,445	–	2,445
Total other comprehensive income	–	–	2,445	–	2,445
Total comprehensive income for the period	–	–	2,445	19,565	22,010
Transactions with owners, recorded directly in equity					
Dividends to equity holders (note 9)	–	–	–	(3,274)	(3,274)
Total transactions with owners	–	–	–	(3,274)	(3,274)
Balance at March 28, 2026	$ 15,761	$ 2,289	$ 13,684	$ 339,059	$ 370,793

**AOCI – Accumulated other comprehensive income*

See accompanying notes to condensed consolidated interim financial statements.

Condensed Consolidated Statements of Changes in Equity

(unaudited) (in thousands of dollars) For the three months ended March 29, 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 period					
Net income	–	–	–	26,222	26,222
Other comprehensive income (loss)					
Foreign currency translation differences (note 10)	–	–	(2,160)	–	(2,160)
Total other comprehensive income (loss)	–	–	(2,160)	–	(2,160)
Total comprehensive income (loss) for the period	–	–	(2,160)	26,222	24,062
Transactions with owners, recorded directly in equity					
Dividends to equity holders (note 9)	–	–	–	(3,274)	(3,274)
Total transactions with owners	–	–	–	(3,274)	(3,274)
Balance at March 29, 2025	$ 15,761	$ 2,289	$ 24,205	$ 286,570	$ 328,825

**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)

	Three Months Ending March 28, 2026	March 29, 2025
Cash flows from operating activities		
Net earnings	$ 19,565	$ 26,222
Adjustments for:		
Amortization of property, plant and equipment	5,685	4,013
Amortization of intangible assets	380	345
Provisions	79	254
Interest expense	1,038	431
Income tax expense	7,273	9,686
Share-based compensation	5,764	(10,856)
Change in unrealized (gain) loss on derivatives included within other assets	(1,608)	724
	38,176	30,819
Change in non-cash working capital (note 13)	(23,966)	(30,351)
Cash generated from operating activities	14,210	468
Income tax paid	(2,857)	(3,476)
Net cash generated by (used in) operating activities	11,353	(3,008)
Cash flows from investing activities		
Acquisition of intangible assets	(9)	–
Acquisition of property, plant and equipment (note 5)	(8,678)	(7,922)
Cash used in investing activities	(8,687)	(7,922)
Cash flows from financing activities		
Net advances of bank operating lines of credit	1,094	15,016
Payment of lease liabilities and interest (note 8)	(1,368)	(1,709)
Cash dividends paid (note 9)	(3,274)	(3,274)
Interest paid	(1,038)	(203)
Cash (used in) generated by financing activities	(4,586)	9,830
Foreign exchange on cash held in a foreign currency	(57)	(146)
Decrease in cash	(1,977)	(1,246)
Cash and cash equivalents at beginning of period	40,910	34,085
Cash and cash equivalents at end of period	$ 38,933	$ 32,839

See accompanying notes to condensed consolidated interim financial statements.

The accompanying unaudited interim financial statements of Hammond Power Solutions Inc., ("HPS" or the "Company") have been prepared by and are the responsibility of the Company's Management.

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 first quarter ended March 28, 2026 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 unaudited condensed consolidated interim financial statements have been prepared in accordance with the 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 May 5, 2026.

b) Use of estimates and judgements

The preparation of the unaudited 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 interim 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, 2025.

3. Summary of material accounting policies

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Group's 2025 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, 2025, with the exception of items noted as follows:

Three months ended March 28, 2026 and March 29, 2025 (tabular amounts in thousands of dollars except share and per share amounts)

Changes to accounting policies

The Company adopted the amendments to IFRS 9 and IFRS 7, Classification and Measurement of Financial Instruments, in its financial statements for the annual period beginning on January 1, 2026. The adoption of the amendments did not have a material impact on the consolidated financial statements.

4. Prepaid and other assets

	March 28, 2026	December 31, 2025
Prepaid expenses	$ 9,105	$ 8,769
Derivative asset	1,608	–
	$ 10,713	$ 8,769

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:

	March 28, 2026	December 31, 2025
Property, plant and equipment owned	$ 117,723	$ 112,358
Right-of-use assets	24,170	24,607
	$ 141,893	$ 136,965

The Group had acquisitions of property, plant and equipment owned for the three months ended March 28, 2026, in the amount of $8,678,000 – $7,223,000 of machinery and equipment, $1,006,000 of leasehold improvements and $449,000 of computer equipment (2025 – $7,922,000 – $675,000 of buildings, $4,265,000 of machinery and equipment, $2,488,000 of leasehold improvements and $494,000 of computer equipment).

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, 2026	$ 24,024	$ 583	$ 24,607
Additions	1,016	52	1,068
Depreciation	(1,576)	(75)	(1,651)
Effect of movements in exchange rates	142	4	146
Balance at March 28, 2026	$ 23,606	$ 564	$ 24,170

Three months ended March 28, 2026 and March 29, 2025 (tabular amounts in thousands of dollars except share and per share amounts)

6. Investments in properties

	March 28, 2026	December 31, 2025
Glen Ewing Property	$ 1,044	$ 1,044
Marnate Property	1,589	1,657
	$ 2,633	$ 2,701

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 March 28, 2026 is $1,200,000. 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 $4,078,000 (net of accumulated depreciation of $2,489,000, for a net book value $1,589,000). The estimated fair value of the property as at March 28, 2026 is 2,130,000 Euros (approximately $3,406,000). The fair value was determined based on independent available market evidence, based on comparable property sales, by an independent valuator.

7. Investments

	March 28, 2026	December 31, 2025
SmartD	$ 5,147	$ 5,147
Verdyn	1,179	1,179
	$ 6,326	$ 6,326

On March 22, 2024, HPS entered into a convertible debenture subscription agreement with SmartD Technologies Inc. (“SmartD”) under which it advanced $2,600,000 in convertible debt. SmartD produces advanced motor control products, most notably its Clean Power Variable Frequency DriveTM. SmartD’s products combine motor drives with harmonic mitigating technology that help businesses save energy, lower costs and minimize their carbon footprint.

In 2025, the Company entered into an agreement with SmartD to convert its existing debenture and accrued interest, valued at $3,022,000, into preferred shares of SmartD. In addition, the Company agreed to invest a further $5,120,000 in exchange for preferred shares of SmartD, $2,120,000 of which was invested in 2025. A further $3,000,000 may be invested in or after 2026, contingent on SmartD meeting certain development milestones.

In November 2025, the Company entered into a secured convertible debenture transaction with Verdyn Inc. (“Verdyn”), pursuant to which it committed to advance up to $2,000,000 in tranches, subject to the satisfaction of specified milestones. As of December 31, 2025, $1,000,000 has been advanced, with any additional advances contingent upon Verdyn achieving certain operational and commercial milestones in accordance with the governing transaction documents. Verdyn specializes in developing power quality solutions for large industrial applications.

Both of these investments are included in Level 3 of the fair value hierarchy, measured at fair value through profit or 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 months ended March 28, 2026 and March 29, 2025 (tabular amounts in thousands of dollars except share and per share amounts)

8. Lease and other long-term liabilities

		March 28, 2026		December 31, 2025
Lease liabilities	$	25,200	$	25,490
Contingent consideration		858		847
	$	26,058	$	26,337
Current	$	7,526	$	7,023
Non-Current	$	18,532	$	19,314

Lease liability maturity analysis – contractual undiscounted cash flows		March 28, 2026		December 31, 2025
Less than one year	$	7,831	$	7,540
One to five years		20,754		21,696
More than five years		–		529
Total undiscounted lease liabilities	$	28,585	$	29,765
Less: effect of discounting and foreign exchange	$	(3,385)	$	(4,275)
Lease liabilities included in the statement of financial position	$	25,200	$	25,490
Current	$	6,668	$	6,176
Non-current	$	18,532	$	19,314

		Three Months Ending		
Amounts recognized in statement of operations		March 28, 2026		March 29, 2025
Interest on lease liabilities	$	373	$	228

		Three Months Ending		
Amounts recognized in statement of cash flows		March 28, 2026		March 29, 2025
Payment of lease liabilities	$	1,368	$	1,709

9. Share capital

a) Dividends

The following dividends were declared and paid by the Company:

		Three Months Ending		
		March 28, 2026		March 29, 2025
27.5 cents per Class A common share (2025: 27.5 cents)	$	2,510	$	2,510
27.5 cents per Class B common share (2025: 27.5 cents)		764		764
	$	3,274	$	3,274

Three months ended March 28, 2026 and March 29, 2025 (tabular amounts in thousands of dollars except share and per share amounts)

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 three months ended March 28, 2026 and March 29, 2025 was as follows:

	Number of DSUs	Closing Share Price
Balance at January 1, 2025	174,517	$ 128.04
DSUs issued	5,648	81.56
DSUs settled	(44,309)	84.56
Balance at March 29, 2025	135,856	$ 79.45

	Number of DSUs	Closing Share Price
Balance at January 1, 2026	145,441	$ 159.48
DSUs issued	589	182.22
Balance at March 28, 2026	146,030	$ 182.22

An expense of $3,415,000 (Quarter 1, 2025 – a gain of $7,805,000) for the quarter was recorded in share-based compensation expenses. The liability of $26,610,000 (December 31, 2025 - $23,195,000) related to these DSUs is included in accounts payable and accrued liabilities.

d) 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 March 28, 2026 and March 29, 2025 was as follows:

	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 March 29, 2025	42,491	28,326	70,817	$ 79.45

	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	5,426	–	5,426	
Units settled	(25,543)	(11,352)	(36,895)	
Vested Balance at March 29, 2025	29,344	11,092	40,436	$ 79.45

Three months ended March 28, 2026 and March 29, 2025 (tabular amounts in thousands of dollars except share and per share amounts)

	Number of PSUs	Number of RSUs	Total Number of Units	Closing Share Price
Issued Balance at January 1, 2026	42,491	28,326	70,817	
Units issued	7,532	5,020	12,552	
Issued Balance at March 28, 2026	50,023	33,346	83,369	$ 182.22

	Number of PSUs	Number of RSUs	Total Number of Units	Closing Share Price
Vested Balance at January 1, 2026	43,818	18,772	62,590	
Units vested	2,429	2,560	4,989	
Issued Balance at March 28, 2026	46,247	21,332	67,579	$ 182.22

An expense of $2,349,000 for the three months ended March 28, 2026 (three months ended March 29, 2025 – gain of $3,051,000) was recorded in share-based compensation expenses. The liability of $12,916,000 (December 31, 2025 - $10,567,000) related to these PSUs and RSUs is included in accounts payable and accrued liabilities.

10. 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 income for the three months ended March 28, 2026 was $2,451,000 (Quarter 1, 2025 – loss of $2,160,000), of which $2,445,000 (Quarter 1, 2025 – $2,160,000) relates to the translation of wholly-owned subsidiaries, resulting in an ending balance as at March 28, 2026 of accumulated other comprehensive income of $13,684,000 (December 31, 2025 – $11,239,000).

11. Sales

	Three Months Ending	
	March 28, 2026	March 29, 2025
United States and Mexico	$ 199,736	$ 140,906
Canada	53,276	51,635
India	11,828	8,862
	$ 264,840	$ 201,403

As at March 28, 2026, the Company had contract liabilities of $13,415,000 (December 31, 2025 – $5,946,000).

Three months ended March 28, 2026 and March 29, 2025 (tabular amounts in thousands of dollars except share and per share amounts)

12. Related party transactions

William G. Hammond, Chair of the Board, directly and indirectly, through Arathorn Investments Inc., beneficially owns 2,778,300 (December 31, 2025 – 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, 2025 – 424,636) Class A subordinate voting shares of the Company, representing approximately 4.7% (2025 – 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 (Quarter 1, 2025 – $881,000).

13. Change in non-cash operating working capital

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

	Three Months Ending	
	March 28, 2026	March 29, 2025
Accounts receivable	$ (35,513)	$ (7,588)
Inventories	(1,101)	(11,560)
Prepaid expenses and other assets	(336)	(885)
Accounts payable and accrued liabilities	6,205	(9,167)
Deferred revenue	7,469	(177)
Provisions	(885)	(486)
Settlement of derivatives	(1,747)	1,447
Foreign exchange	1,942	(1,935)
	$ (23,966)	$ (30,351)

14. Subsequent event

Proposed Acquisition

On February 17, 2026, the Company announced that it signed a definitive agreement to acquire AEG Power Solutions. Under the terms of the agreement, HPS will acquire all outstanding equity of AEG Power Solutions in an all-cash transaction with an enterprise value of C$365 million. As part of the transaction, HPS will repay AEG Power Solutions' outstanding bank debt. As of May 5, 2026, the Company has received the majority of these approvals and has no reason to believe that the remaining approvals will not be obtained within the statutory timelines prescribed by the relevant regulators.

HPS Global Offices

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Hammond Power Solutions Latin America S. de R.L. de C.V.
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Monterrey, México

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Mesta Electronics LLC
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Micron Group, LLC
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Sterling, IL 61081

Corporate Information

Auditors

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Transfer Agent and Registrar

Computershare Investor Share Services Inc.
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Investor Relations

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

Stock Exchange Listing

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

Corporate Officers and Directors

Officers

Adrian Thomas
Chief Executive Officer
& Director

Richard Vollering
Chief Financial Officer

John Bailey
Chief Operations Officer

Paul Gaynor
Chief Information Officer

David Kinsella
Chief Commercial Officer

Kyle Kuepfer
Chief Legal Officer &
Corporate Secretary

Catherine McKeown
Chief People Officer

Norman Bates
EVP, Group Business
Development & President,
Power Quality Solutions

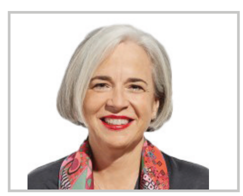
Directors

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

hammond
POWER SOLUTIONS

EVERY TIME YOU MOVE NEARER TO YOUR DESIRED DESTINATION,
NEW HORIZONS WILL BECOME CLEAR AND NEW OPPORTUNITIES WILL
COME INTO VIEW.