hammond
POWER SOLUTIONS

For the six months ended June 27, 2026

Q2 Report 2026

Contents

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.

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,

HPS delivered an exceptional second quarter, achieving record sales of $324.8 million while improving gross margin and adjusted EBITDA. Demand across our key North American markets remains strong, particularly in data centres, industrial electrification and power reliability applications. Our U.S. and Mexico operations continued to see strong growth signals in the quarter while market conditions in Canada remain more challenging.

Our expanded manufacturing capacity enabled higher shipment volumes in the quarter, allowing us to convert more of the strong demand into revenue while improving responsiveness to customers. This increased throughput contributed to a 6.9% sequential reduction in backlog from the end of the first quarter. Despite the decline, backlog remained 96.9% higher than at the same point last year, supported by robust quotation activity and providing continued visibility through the balance of 2026.

We also continued to make progress on profitability. Gross margin increased to 31.5%, compared with 30.7% a year ago and 30.1% in the first quarter of 2026. The improvement was driven primarily by increased custom product shipments, improved price realization and the continued ramp-up of production across our expanded manufacturing capacity.

Shortly after the quarter ended, we received final regulatory approvals and completed the acquisition of AEG Power Solutions ("AEG"), an important milestone for HPS. In addition to foreign exchange losses and share-based compensation, our reported earnings also included acquisition-related costs associated with the transaction.

The acquisition expands our portfolio beyond transformers into a broader range of power quality and power conversion solutions and strengthens our position across the electrical value chain. As customers face growing requirements for power reliability, resilience, and efficiency, AEG enhances our ability to address more of their needs and advances our strategy to build a more diversified electrical solutions company.

Looking at the first half of 2026, I am encouraged by the progress we have made. Sales reached $589.6 million, representing 38.5% growth over the prior year. More importantly, our investments in capacity, capabilities, and our more strategic growth platform are strengthening the foundation for our next phase of growth.

We enter the second half of the year with greater manufacturing capacity, a broader portfolio of electrical solutions and continued demand across several attractive end markets. Our priorities remain clear: continue executing well, successfully integrate AEG, and deliver lasting value for our customers and shareholders.

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.

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, related magnetics and power conversion systems. 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 North America, Europe and Asia 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 June 27, 2026, and December 31, 2025, and performance for the three and six months ended June 27, 2026, and June 28, 2025 and should be read in conjunction with the accompanying unaudited Condensed Interim Consolidated Financial Statements of the Company for the second quarter of fiscal 2026. This information is based on Management's knowledge as at July 30, 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 second 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, share-based compensation and non-recurring acquisition costs. Starting in 2025 adjusted earnings per share (“EPS”) was disclosed which represents EPS adjusted for foreign exchange gain or loss, share-based compensation and non-recurring acquisition costs. 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, adjusted EPS to net earnings for the quarters ending June 27, 2026, and June 28, 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 and Backlog 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, 2026 consolidated financial statements, which comprise the consolidated statements of financial position as at June 27, 2026, and December 31, 2025, the consolidated statements of operations and comprehensive income for the three and six months ended June 27, 2026, and June 28, 2025, statement of changes in equity and cash flows for the six months ended June 27, 2026 and June 28, 2025 and notes thereto, have been prepared under IAS 34, Interim Financial Reporting.

Sales

Geography	**Q2, 2026**	Q2, 2025	$ Change	% Change	**YTD 2026**	YTD 2025	$ Change	% Change
U.S. & Mexico*	$ 272,691	$ 157,581	$ 115,110	73.0%	$ 472,427	$ 298,487	$ 173,940	58.3%
Canada	44,669	58,577	(13,908)	(23.7%)	97,945	110,212	(12,267)	(11.1%)
India	7,442	8,261	(819)	(9.9%)	19,270	17,123	2,147	12.5%
Total	**$ 324,802**	**$ 224,419**	**$ 100,383**	**44.7%**	**$ 589,642**	**$ 425,822**	**$ 163,820**	**38.5%**

* When stated in U.S. dollars, U.S. and Mexico sales have increased from $113,577 in 2025 to $197,354 in 2026, an increase of $83,777 or 73.8%. Year-to-date, when stated in U.S. dollars, sales have increased from $211,729 in 2025 to $342,966 in 2026, an increase of $131,237 or 62.0%

U.S. and Mexico sales were negatively impacted by the weakening of the U.S. dollar relative to the Canadian dollar versus 2025. Second quarter sales were unfavourably affected by a 0.4% weaker U.S. dollar ("USD"), $1.00 USD = $1.382 Canadian dollar ("CAD") compared against $1.00 USD = $1.387 CAD in Quarter 2, 2025. Year-to-date sales were unfavourably affected by a 2.5% weaker U.S. dollar, $1.00 USD = $1.377 Canadian dollar compared against $1.00 USD = $1.412 CAD in Quarter 2, 2025.

Sales in the U.S. market in the second quarter grew significantly year-over-year, driven by increases in data centre shipments, along with modest improvements in industrial markets versus the first quarter of 2026 and 2025. Improving price realization also resulted in higher sales.

The Canadian market declined 23.7% in the quarter and 11.1% year-to-date. Some of this decline is driven by the timing of some large custom projects but Canada is experiencing general softness and increasingly competitive pricing.

Indian market sales for Quarter 2, 2026 were $7,442, $819 lower than Quarter 2, 2025 sales of $8,261. Year-to-date sales were $19,270 for 2026 and $17,123 for 2025, an increase of $2,147.

Shipments of custom products rose to just under 70% of product sales overall.

Quarter 2, 2026 sales stated by geographic segment were derived from U.S. sales of 84.0% (Quarter 2, 2025 – 70.2%) of total sales, Canadian sales of 13.7% (Quarter 2, 2025 – 26.1%) and Indian sales of 2.3% (Quarter 2, 2025 – 3.7%). Year-to-date sales by geographic segment were U.S. sales of 80.1% (2025 – 70.1%) of total sales, Canadian sales of 16.6% (2025 – 25.9%) and Indian sales of 3.3% (2025 – 4.0%).

In total, sales are 44.7% higher than in Quarter 2, 2025 and year-to-date 38.5% higher than the first six months of 2025. The Micron Group, LLC ("Micron") acquisition accounts for 2.5% increase in the quarter and 2.7% increase year-to-date.

Backlog

The Company's Quarter 2, 2026 backlog increased by 96.9% as compared to Quarter 2, 2025, primarily due to large project orders driven by data centre activity. Backlog decreased 3.1% from Quarter 4, 2025 and 6.9% from Quarter 1, 2026, as shipments exceeded new order bookings during the period. Increased production capacity and manufacturing efficiency improvements enabled the company to convert orders into revenue at an accelerated pace, resulting in higher sales, shorter lead times, and a relative decrease in backlog. Despite these sequential declines, backlog remains at a significant level, supporting utilization of the Company's expanded manufacturing capacity while enabling continued improvements in competitive lead times and responsiveness to customer demand.

In Quarter 4 2025, the Company received several large data centre orders, resulting in a substantial 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 increased volumes, 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. Certain larger projects requiring custom power products may extend beyond one year. The weighted average tenor of the backlog is approximately three quarters. While a strong backlog can be viewed as a positive indicator of future business activity, extended lead times can limit backlog growth, as some customers may seek alternate suppliers when delivery times become excessive.

The backlog represents a customer's intent to purchase; however, not all orders in the backlog have firm ship dates and, where production and procurement activities have not commenced, many orders may be cancelled without penalty.

The general economic outlook and economic activity within certain sectors can cause volatility in backlog levels. Demand for standard product tends to track closely to general business investment, macroeconomic growth rates and electro-industry growth, while demand for custom products is more closely tied to sector-specific investment trends.

Gross margin

The Company saw an increase in its gross margin rate for Quarter 2, 2026 which was 31.5% compared to 30.7% in Quarter 2, 2025, representing an increase of 80 basis points. Gross margin also improved by 140 basis points from the Quarter 1, 2026 rate of 30.1%. On a year-to-date basis, gross margin was 30.9% in 2026, compared to 31.1% in the prior year, a decline of 20 basis points.

The improvement in gross margin compared to prior-year and the previous quarter reflects the realization of price increases implemented to offset the direct and indirect impact of tariffs on input costs. Gross margin performance remains sensitive to fluctuations in selling prices, commodity cost, customer and product mix and geographic sales distribution. Margins also benefited from improved absorption of factory overhead resulting from higher production volumes and a greater proportion of custom power products in the sales mix. These benefits are partially offset by lower margins in certain highly competitive product lines and geographic markets.

Key inputs to the Company's products include electrical steel, copper, aluminum, insulation, carbon steel, resin and fiberglass, labour and manufacturing overhead. While electrical steel pricing has remained relatively stable, copper and aluminum prices have increased in recent periods and continue to affect the cost of transformer coils production. To offset these and other cost increases, including tariffs, the Company implemented its annual price increase in the first quarter of 2026.

The Company continues to invest in initiatives designed to support long-term revenue growth and margin expansion. Gross margins are supported by disciplined pricing, strategic sourcing activities, engineering-driven cost reduction initiatives and continuous operational improvement programs. As sales volumes increase, the Company expects to benefit from improved factory overhead absorption. In addition, scale purchasing benefits, a continued focus on higher-margin products and solutions, and flexible manufacturing capabilities are expected to support the Company's ability to sustain and enhance margins over the long term.

Selling and distribution expenses

Total selling and distribution expenses were $36,289 in Quarter 2, 2026, representing 11.2% of sales, compared to $24,665 or 11.0% of sales, in Quarter 2, 2025, an increase of $11,624. The increase was primarily driven by higher sales volumes and associated distribution costs required to support growth.

Year-to-date selling and distribution expenses were $63,182, or 10.7% of sales, compared to $46,985, or 11.0% of sales, in the prior period. The 30 basis point improvement as a percentage of sales reflects a higher proportion of custom product sales, which generally carry lower selling costs.

General and administrative expense

General and administrative and share-based compensation expenses were $42,983, or 13.2% of sales, in Quarter 2, 2026 compared to $24,465, or 10.9% of sales, in Quarter 2, 2025, an increase of $18,518. The Company's higher closing share price during Quarter 2, 2026 resulted in a share-based compensation expense of $23,972, compared to $9,104 in Quarter 2, 2025, an increase of $14,868 or 163.3%. Excluding share-based compensation, general and administrative expenses increased by $3,650, or 23.8%, compared to the prior-year quarter, while decreasing by 90 basis points as a percentage of sales, reflecting improved operating leverage on higher revenues.

Year-to-date general and administrative expenses were $66,636 or 11.3% of sales, compared to $28,210 or 6.6% of sales in the prior-year period. Excluding share-based compensation, general and administrative expenses were $36,900 or 6.3% of sales, compared to $29,962 or 7.0% of sales in 2025, an increase of $6,938 while improving by 70 basis points as a percentage of sales.

DOLLARS IN THOUSANDS UNLESS OTHERWISE STATED

Key drivers for the current quarter increase are as follows:

- Approximately $1,809 of additional expense related to strategic investments in people resources and development and incentive plans (year-to-date $3,213);
- Investments in technology and cloud-based software of $411 (year-to-date $852); and
- Higher estimated credit loss provisions of $702 associated with increased accounts receivable balances and customer exposure (year-to-date $1,202).

Earnings from operations[1]

Quarter 2, 2026 earnings from operations were $22,990 compared to $19,682 for the same quarter of 2025, an increase of $3,308 or 16.8%. The increase was primarily driven by higher sales volumes and improved gross margins, partially offset by higher share-based compensation expense, acquisition costs, and increased selling, distribution, general and administrative expenses.

Year-to-date, earnings from operations were $52,235, compared to $57,129 in prior-year, a decrease of $4,894 or 8.6%. The decrease primarily reflects higher share-based compensation expense and increased selling, distribution, general and administrative costs, and acquisition costs, partially offset by higher sales and improved gross margins.

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

	Quarter 2, 2026	Quarter 2, 2025	**YTD 2026**	YTD 2025
Net earnings	$ 9,394	$ 13,376	$ 28,959	$ 39,598
Add:				
Income tax expense	5,553	4,933	12,826	14,619
Net interest expense	1,543	768	2,581	1,199
Foreign exchange loss	1,475	572	2,811	1,647
Acquisition costs	4,992	–	4,992	–
Other	33	33	66	66
Earnings from operations	$ 22,990	$ 19,682	$ 52,235	$ 57,129

Net finance and other costs

Net finance and other costs were $8,043 in Quarter 2, 2026, compared to $1,373 in Quarter 2, 2025, an increase of $6,670. The increase was primarily attributable to acquisition-related costs of $4,992 associated with the acquisition of AEG Power Solutions (“AEG”) (closed June 29, 2026), higher interest expense resulting from increased utilization of operating credit facilities, and higher foreign exchange losses.

Net interest expense for Quarter 2, 2026 was $1,543, compared to $768 in Quarter 2, 2025, an increase of $775. Year-to-date, net interest expense was $2,581, compared to $1,199 in the prior-year period, an increase of $1,382. Interest expense increased during both the quarter and year-to-date period primarily due to higher operating line utilization. Interest expense includes bank fees and other borrowing costs.

Foreign exchange losses were $1,475 in Quarter 2, 2026, compared to $572 in Quarter 2, 2025, an increase of

$903. Year-to-date, foreign exchange losses were $2,811, compared to $1,647 in the prior-year period, an increase of $1,164. These losses primarily relate to the revaluation of U.S. dollar-denominated trade receivables and payables. The increase compared to the prior year reflects greater volatility in foreign exchange rates, particularly fluctuations in the U.S. dollar relative to the Canadian dollar.

As at June 27, 2026, the Company had outstanding foreign exchange contracts totaling 17,200 EUR and $12,200 USD, which were entered into as economic hedges against foreign exchange gains and losses arising from intercompany loans. The Company also had outstanding forward foreign exchange contracts totaling $22,000 USD, which serve as economic hedges of U.S. dollar-denominated accounts payable within HPS Canada's operations.

Income tax expense

Income tax expense for Quarter 2, 2026 was $5,553, compared to $4,933 in Quarter 2, 2025, an increase of $620. Year-to-date income tax expense was $12,826 in 2026 compared to $14,619 in 2025, a decrease of $1,793 or 12.3%.

The consolidated effective tax rate[1] for Quarter 2, 2026 was 37.2% compared to 26.9% in Quarter 2, 2025. On a year-to-date basis, the effective tax rate was 30.7% in 2026 compared to 27.0% in 2025, an increase of 3.7%. The higher effective tax rate in 2026 was primarily attributable to the non-deducibility of the acquisition-related costs incurred during the quarter, which accounted for 2.9% of the year-to-date increase. Changes in the effective tax rate may also result from shifts in the Company's earnings mix, as income is generated across multiple tax jurisdictions that are subject to different tax rates and regulations.

The Company's deferred tax assets and liabilities primarily arise from temporary differences related to reserves and allowances that are not currently deductible for income tax purposes. Deferred taxes also arise from differences between the carrying values of property, plant and equipment and intangible assets for accounting purposes and their respective tax bases, including differences resulting from business combination accounting and the application of differing depreciation and amortization methods for tax purposes.

Net earnings

Net earnings for Quarter 2, 2026 were $9,394, compared to $13,376 in Quarter 2, 2025, a decrease of $3,982, or 29.8%. The decrease in quarterly net earnings was primarily attributable to higher share-based compensation expense, increased selling, distribution, general and administrative expenses, and acquisition-related costs of $4,992, partially offset by higher sales and improved gross margins.

Year-to-date, net earnings were $28,959 in 2026, compared to $39,598 in the prior-year period, a decrease of $10,639, or 26.9%. The decrease was primarily driven by higher share-based compensation expenses, increased selling, distribution, general and administrative expenses, and acquisition-related costs, partially offset by higher sales and increased gross margin dollars.

Earnings per share

Basic earnings per share for Quarter 2, 2026 were $0.79, compared to $1.12 in Quarter 2, 2025, a decrease of $0.33. Year-to-date the basic earnings per share were $2.43 in 2026, compared to $3.33 in 2025, a decrease of $0.90.

Adjusted earnings per share[2] which excludes the impact of foreign exchange losses, share-based compensation expense and acquisition-related costs, were $2.76 for Quarter 2, 2026, compared to $1.72 in Quarter 2, 2025, an increase of $1.04. Year-to-date

[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 pages 2 of this quarterly report.

DOLLARS IN THOUSANDS UNLESS OTHERWISE STATED

adjusted earnings per share were $4.81 in 2026, compared to $3.32 in 2025, an increase of $1.49.

The increase in adjusted earnings per share reflects higher sales and improved operating performance, while reported earnings per share was impacted by higher share-based compensation expense, foreign exchange losses and acquisition-related costs incurred during the period.

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

	Quarter 2, 2026	Quarter 2, 2025	**YTD 2026**	YTD 2025
Net earnings before tax	$ 14,947	$ 18,309	$ 41,785	$ 54,217
Add (Subtract):				
Share-based compensation expense (recovery)	23,972	9,104	29,736	(1,752)
Foreign exchange loss	1,475	572	2,811	1,647
Acquisition costs	4,992	–	4,992	–
Adjusted net earnings before tax	$ 45,386	$ 27,985	$ 79,324	$ 54,112
Adjusted net earnings	32,905	20,445	57,276	39,521
Adjusted earnings per share	2.76	1.72	4.81	3.32

EBITDA[1]

EBITDA for Quarter 2, 2026 was $22,808, compared to $23,720 in Quarter 2, 2025, a decrease of $912, or 3.8%. Adjusted EBITDA, which excludes foreign exchange losses, share-based compensation expenses and acquisition-related costs, was $53,247 for Quarter 2, 2026, compared to $33,396 in Quarter 2, 2025, an increase of $19,851 or 59.4%.

Year-to-date EBITDA was $56,749 in 2026, compared to $64,417 in 2025, a decrease of $7,668 or 11.9%. Year-to-date adjusted EBITDA was $94,288 in 2026 and $64,312 in 2025, an increase of $29,976 or 46.6%.

The increase in adjusted EBITDA for both the quarter and year-to-date periods primarily reflects higher sales volumes, improved gross margins and stronger operating performance. Reported EBITDA was negatively impacted by higher share-based compensation expense, foreign exchange losses and acquisition-related costs incurred during 2026.

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

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

	Quarter 2, 2026	Quarter 2, 2025	**YTD 2026**	YTD 2025
Net earnings	$ 9,394	$ 13,376	$ 28,959	$ 39,598
Add:				
Interest expense	1,543	768	2,581	1,199
Income tax expense	5,553	4,933	12,826	14,619
Depreciation and amortization	6,318	4,643	12,383	9,001
EBITDA	22,808	23,720	$ 56,749	$ 64,417
Add:				
Share-based compensation expense (recovery)	23,972	9,104	29,736	(1,752)
Foreign exchange loss	1,475	572	2,811	1,647
Acquisition costs	4,992	–	4,992	–
Adjusted EBITDA	$ 53,247	$ 33,396	$ 94,288	$ 64,312

Summary of quarterly financial information (unaudited)

Fiscal 2026 Quarters	Q1, 2026	**Q2, 2026**	YTD Total
Sales	$ 264,840	$ 324,802	$ 589,642
Net earnings	$ 19,565	$ 9,394	$ 28,959
Net earnings per share – basic	$ 1.64	$ 0.79	$ 2.43
Net earnings per share – diluted	$ 1.64	$ 0.79	$ 2.43
Average U.S. to Canadian exchange rate	$ 1.372	$ 1.382	$ 1.377

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 accelerated in Quarter 2, 2026, increasing from Quarter 1, 2026. Sales have generally trended upward over the past two years, reflecting a combination of pricing actions, higher sales volumes and contributions from capacity expansions in Mexico and the acquisition of Micron, which began contributing in Quarter 4, 2024. Reported sales have also been influenced by fluctuations in the U.S. to Canadian dollar exchange rate, with a modest strengthening of the U.S. dollar providing a favourable impact on the translation of foreign-denominated sales in recent periods.

Gross margin rates have generally improved over the past several quarters, with the exception of Quarter 4, 2025. During that quarter, tariffs on imported products and certain raw materials negatively impacted margins, as pricing actions lagged the associated increase in costs. Margin performance improved in the first half of 2026 as the Company realized the benefits of pricing actions implemented to offset the direct and indirect impact of tariffs and other input cost increases. Gross margins also benefited from improved operating leverage and factory overhead absorption resulting from higher production volumes.

Capital resources and liquidity

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

Cash used in operating activities for Quarter 2, 2026 was $6,400 versus cash generated by operations of $42 in Quarter 2, 2025, a difference of $6,442. In Quarter 2, 2026, increases in working capital used cash of $44,266 compared to $23,008 for the same quarter last year. In Quarter 2 2026, the increase in working capital was driven primarily by higher accounts receivable due to high sales in June and increased inventory balances.

Year-to-date cash generated by operating activities was $4,953, compared to cash used in operations of $2,966 in 2025, a difference of $7,919. In Quarter 2, 2026, increases in working capital used cash of $68,232 compared to $53,359 for last year.

Total cash generated by financing activities was $2,014 in the first six months of 2026, compared to cash generated of $17,777 in the same period in 2025. The key driver of this change is net advances of bank operating lines in the prior year.

Cash used in investing activities decreased to $6,244 in Quarter 2, 2026 from $11,760 in Quarter 2, 2025, a decrease of $5,516. Capital expenditures were $6,217 in Quarter 2, 2026, compared to $11,760 for Quarter 2, 2025, a decrease of $5,543.

Bank operating lines of credit have increased from prior year levels finishing Quarter 2, 2026 at $70,109 compared to $41,276 at the end of Quarter 2, 2025, an increase of $28,833. The bank operating lines of credit have increased $14,176 since the year-end balance of $55,933. The increase in the bank operating lines of credit during Quarter 2, 2026 is due to working capital requirements.

The Company's overall net operating debt balance as of June 27, 2026 was $36,478[1], an increase of $21,455 from the net operating debt balance of $15,023[2] at December 31, 2025. The Quarter 2, 2025 net operating debt balance was $13,419[3], a change of $23,059 as of Quarter 2, 2026.

All bank covenants continue to be met as at June 27, 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.

[1] Overall net operating debt balance is the bank operating lines of credit of $70,109 net of cash and cash equivalents balance of $33,631.
[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 debt balance is the bank operating lines of credit of $41,276 net of cash and cash equivalents balance of $27,857.

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	$ 168,529	3,366	2,865	588	–	$ 175,348
Capital expenditure purchase commitments	12,886	–	–	–	–	12,886
Bank operating lines	70,109	–	–	–	–	70,109
Lease liabilities	7,899	6,837	6,070	4,832	2,203	27,841
Contingent consideration	877	–	–	–	–	877
Total	$ 260,300	$ 10,203	$ 8,935	$ 5,420	$ 2,203	$ 287,061

Contingent liabilities

Management is not aware of any contingent liabilities.

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 17, 2026 to shareholders of record at the close of business on June 10, 2026. The ex-dividend date was June 10, 2026. 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 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, 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.

Subsequent Event

Share Purchase of AEG Power Solutions ("AEG")

On June 29, 2026, the Company completed the acquisition of 100% of the issued and outstanding shares of AEG Power Solutions ("AEG") for approximately $365 million in an all-cash transaction. AEG is a global provider of power supply and power conversion solutions for industrial and renewable applications. AEG designs and manufactures AC and DC uninterruptible power supply systems, battery chargers, rectifiers and power conversion products serving industrial, infrastructure, transportation, energy and other critical applications. The acquisition is structured as a share purchase through a newly created subsidiary, Hammond Power Solutions BV, which is 100% owned by Hammond Power Solutions Inc.

Concurrent with the closing of the transaction, the Company entered into a new syndicated secured credit facility consisting of up to $300 million USD of term debt and up to $150 million USD available under a revolving credit facility. The proceeds of the term facility were used to finance the acquisition. The credit agreement matures in 2030, unless terminated earlier in accordance with its terms.

As the acquisition occurred subsequent to the reporting date, the Company has not recognized any assets acquired or liabilities assumed in these condensed consolidated interim financial statements.

The accounting for the acquisition is not yet complete. The Company is in the process of determining the fair values of the assets acquired, liabilities assumed, and identifiable intangible assets acquired. Consequently, the Company is not yet able to disclose the preliminary amounts recognized for the business combination or provide estimates of the expected allocation of the purchase price. The Company will continue to refine its preliminary acquisition accounting during the measurement period and will update the recognized amounts and related disclosures in future reporting periods, as appropriate.

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 are 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, system designs and regulatory requirements

Our products must comply with various standards, system designs, 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. Additionally, evolving power distribution architectures and infrastructure design standards within key end markets may reduce demand for, or alter the technical specifications applicable to, certain products and solutions offered by the Company.

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 these strategic initiatives may involve significant judgement and are subject to inherent uncertainty, 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 affect 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 13 in the Condensed Notes to the Condensed Consolidated Interim Financial Statements contained in our Quarter 2, 2026 Report..

Proposed transactions

Other than the subsequent event disclosed, the Company has no proposed transactions as at June 27, 2026. The Company continues to evaluate potential business expansion initiatives in accordance with its long-term growth strategy.

Financial instruments

As at June 27, 2026, the Company had outstanding foreign exchange contracts in place for 17,200 EUR and $12,200 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 judgements 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, 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 require 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 judgement, 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 June 27, 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 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 2, 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. Mesta moved into a larger manufacturing space during Quarter 2, 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 has enhanced 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. 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 retained this certification 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.

On June 29, 2026, the Company completed the acquisition of 100% of the issued and outstanding shares of AEG Power Solutions ("AEG") for approximately $365 million in an all-cash transaction. AEG is a global provider of power supply and power conversion solutions for industrial and renewable applications. AEG designs and manufactures AC and DC uninterruptible power supply systems, battery chargers, rectifiers and power conversion products serving industrial, infrastructure, transportation, energy and other critical applications. The acquisition is structured as a share purchase through a new created subsidiary, Hammond Power Solutions BV, which is 100% owned by Hammond Power Solutions Inc.

Concurrent with the closing of the transaction, the Company entered into a new syndicated secured credit facility consisting of up to $300 million USD of term debt and up to $150 million USD available under a revolving credit facility. The proceeds of the term facility were used to finance the acquisition. The credit agreement matures in 2030, unless terminated earlier in accordance with its terms.

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 Second 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	Q3	Q4	Q1	Q2	Q3	Q4	**Q1**	**Q2**
Sales	191,972	208,476	201,403	224,419	218,341	254,092	264,840	324,802
Earnings from operations	23,665	29,706	37,447	19,682	24,928	21,962	29,245	22,990
EBITDA	27,229	33,934	40,697	23,720	28,746	28,280	33,941	22,808
Adjusted EBITDA	34,377	32,548	30,916	33,396	30,290	38,727	41,041	53,247
Net earnings	16,311	23,678	26,222	13,376	17,440	15,203	19,565	9,394
Total assets	454,285	493,141	510,406	526,049	583,723	586,265	631,025	680,396
Non-current liabilities	15,226	17,620	16,390	17,341	20,223	19,925	19,107	18,411
Total liabilities	183,115	185,104	181,581	199,613	238,919	234,208	260,232	294,773
Total shareholders' equity attributable to equity holders of the Company	271,170	308,037	328,825	326,436	344,804	352,057	370,793	385,623
Operating cash (debt, net cash)	32,913	21,102	4,840	(13,419)	(28,306)	(15,023)	(18,094)	(36,478)
Cash (used in) provided by operations	17,397	22,413	(3,008)	42	(2,137)	32,051	11,353	(6,400)
Basic earnings per share	1.37	1.99	2.20	1.12	1.46	1.28	1.64	0.79
Diluted earnings per share	1.37	1.99	2.20	1.12	1.46	1.28	1.64	0.79
Adjusted earnings per share	1.80	1.91	1.60	1.72	1.56	1.98	2.08	2.76
Dividends declared and paid	3,271	3,274	3,274	3,273	3,274	3,274	3,274	3,274
Average exchange rate (USD$=CAD$)	1.365	1.396	1.436	1.387	1.400	1.399	1.372	1.382
Book value per share	22.78	25.87	27.62	27.42	28.96	29.57	31.15	32.39

Condensed Consolidated Statements of Financial Position

(unaudited) (in thousands of dollars)

	As at June 27, 2026	As at December 31, 2025
Assets		
Current assets		
Cash and cash equivalents	$ 33,631	$ 40,910
Accounts receivable	227,965	168,074
Inventories	190,523	172,381
Income taxes receivable	22,283	9,106
Prepaid expenses and other assets (note 4)	9,555	8,769
Asset held for sale (note 5)	1,584	–
Total current assets	485,541	399,240
Non-current assets		
Property, plant and equipment (note 6)	145,036	136,965
Investment in properties (note 7)	2,596	2,701
Investments (note 8)	6,326	6,326
Deferred tax assets	14,572	14,406
Intangible assets	11,255	11,633
Goodwill	15,070	14,994
Total non-current assets	194,855	187,025
Total assets	$ 680,396	$ 586,265
Liabilities		
Current liabilities		
Bank operating lines of credit	$ 70,109	$ 55,933
Accounts payable and accrued liabilities	175,348	143,048
Deferred revenue	10,334	5,946
Income tax payable	10,799	–
Provisions	2,125	2,333
Current portion of lease and other liabilities (note 9)	7,647	7,023
Total current liabilities	276,362	214,283
Non-current liabilities		
Provisions	536	536
Deferred tax liabilities	5	75
Long-term portion of lease and other liabilities (note 9)	17,870	19,314
Total non-current liabilities	18,411	19,925
Total liabilities	$ 294,773	$ 234,208
Shareholders' Equity		
Share capital	15,761	15,761
Contributed surplus	2,289	2,289
Accumulated other comprehensive income (note 11)	22,394	11,239
Retained earnings	345,179	322,768
Total shareholders' equity	$ 385,623	$ 352,057
Total liabilities and shareholders' equity	$ 680,396	$ 586,265

See accompanying notes to condensed consolidated interim financial statements.

Condensed Consolidated Statements of Operations

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

	Three Months Ending		Six Months Ending	
	June 27, 2026	June 28, 2025	**June 27, 2026**	June 28, 2025
Sales (note 12)	$ 324,802	$ 224,419	$ 589,642	$ 425,822
Cost of sales	222,540	155,607	407,589	293,498
Gross margin	102,262	68,812	182,053	132,324
Selling and distribution	36,289	24,665	63,182	46,985
General and administrative	19,011	15,361	36,900	29,962
Share-based compensation (note 10)	23,972	9,104	29,736	(1,752)
	79,272	49,130	129,818	75,195
Earnings from operations	22,990	19,682	52,235	57,129
Finance and other costs				
Interest expense	1,543	768	2,581	1,199
Foreign exchange loss	1,475	572	2,811	1,647
Acquisition costs (note 15)	4,992	–	4,992	–
Other	33	33	66	66
Net finance and other costs	8,043	1,373	10,450	2,912
Earnings before income taxes	14,947	18,309	41,785	54,217
Income tax expense	5,553	4,933	12,826	14,619
Net earnings	$ 9,394	$ 13,376	$ 28,959	$ 39,598
Earnings per share				
Basic earnings per share	$ 0.79	$ 1.12	$ 2.43	$ 3.33
Diluted earnings per share	$ 0.79	$ 1.12	$ 2.43	$ 3.33

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 27, 2026	**June 28, 2025**	**June 27, 2026**	June 28, 2025
Net earnings	$ 9,394	$ 13,376	$ 28,959	$ 39,598
Other comprehensive income (loss)				
Item that will be recognized within profit and loss:				
Foreign currency translation differences for foreign operations (note 11)	8,710	(12,492)	11,155	(14,652)
Other comprehensive income (loss)	8,710	(12,492)	11,155	(14,652)
Total comprehensive income	$ 18,104	$ 884	$ 40,114	$ 24,946

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 27, 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	–	–	–	28,959	28,959
Other comprehensive income					
Foreign currency translation differences (note 11)	–	–	11,155	–	11,155
Total other comprehensive income	–	–	11,155	–	11,155
Total comprehensive income for the period	–	–	11,155	28,959	40,114
Transactions with owners, recorded directly in equity					
Dividends to equity holders (note 10)	–	–	–	(6,548)	(6,548)
Total transactions with owners	–	–	–	(6,548)	(6,548)
Balance at June 27, 2026	$ 15,761	$ 2,289	$ 22,394	$ 345,179	$ 385,623

**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 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 period					
Net income	–	–	–	39,598	39,598
Other comprehensive income (loss)					
Foreign currency translation differences (note 11)	–	–	(14,652)	–	(14,652)
Total other comprehensive loss	–	–	(14,652)	–	(14,652)
Total comprehensive income (loss) income for the period	–	–	(14,652)	39,598	24,946
Transactions with owners, recorded directly in equity					
Dividends to equity holders (note 10)	–	–	–	(6,547)	(6,547)
Total transactions with owners	–	–	–	(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 Statements of Cash Flows

(unaudited) (in thousands of dollars)

	Six Months Ending	
	June 27, 2026	June 28, 2025
Cash flows from operating activities		
Net earnings	$ 28,959	$ 39,598
Adjustments for:		
Amortization of property, plant and equipment	11,634	8,319
Amortization of intangible assets	749	682
Provisions	824	508
Interest expense	2,581	1,199
Income tax expense	12,826	14,619
Share-based compensation	29,736	(1,752)
Change in unrealized (gain) loss on derivatives included within other assets	(427)	1,272
	86,882	64,445
Change in non-cash working capital (note 14)	(68,232)	(53,359)
Cash generated from operating activities	18,650	11,086
Income tax paid	(13,697)	(14,052)
Net cash generated by (used in) operating activities	4,953	(2,966)
Cash flows from investing activities		
Acquisition of intangible assets	(36)	–
Acquisition of property, plant and equipment (note 6)	(14,895)	(19,682)
Cash used in investing activities	(14,931)	(19,682)
Cash flows from financing activities		
Net advances of bank operating lines of credit	14,176	28,293
Payment of lease liabilities and interest (note 9)	(3,033)	(3,335)
Cash dividends paid (note 10)	(6,548)	(6,547)
Interest paid	(2,581)	(634)
Cash generated by financing activities	2,014	17,777
Foreign exchange on cash held in a foreign currency	685	(1,357)
Decrease in cash	(7,279)	(6,228)
Cash and cash equivalents at beginning of period	40,910	34,085
Cash and cash equivalents at end of period	$ 33,631	$ 27,857

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 second quarter ended June 27, 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, related magnetics and power conversion systems. 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 North America, Europe and Asia 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 July 30, 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 judgements, 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.

Three and six months ended June 27, 2026 and June 28, 2025 (tabular amounts in thousands of dollars except share and per share amounts)

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 below:

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.

Future accounting policies:

IFRS 18 Presentation and Disclosure in Financial Statements

The IASB issued IFRS 18 Presentation and Disclosure in Financial Statements on April 9, 2024, to replace IAS 1 Presentation of Financial Statements and is effective for annual periods beginning on or after January 1, 2027. IFRS 18 introduces a defined structure for the presentation of the statement of income, including required totals and subtotals, as well as aggregating and disaggregating principles to categorize financial information.

The standard also requires all management-defined performance measures to be disclosed in the notes to the financial statements. The Company is currently assessing the impact of this new standard.

4. Prepaid and other assets

	June 27, 2026	December 31, 2025
Prepaid expenses	$ 9,128	$ 8,769
Derivative asset	427	–
	$ 9,555	$ 8,769

As at June 27, 2026, the Group has recognized a net unrealized recovery of $427,000 representing the fair value of these forward foreign exchange contracts, comprised of an asset of $427,000 included within prepaid expenses and other assets. As at December 31, 2025, the Group recognized a net unrealized expense of $1,747,000 representing the fair value of these forward foreign exchange contracts, comprised of a liability of $1,747,000 included within accounts payable and accrued liabilities. The statement of operations impact for both years has been recorded in foreign exchange gains and losses.

Three and six months ended June 27, 2026 and June 28, 2025 (tabular amounts in thousands of dollars except share and per share amounts)

5. Asset held for sale

During the Quarter the Company committed to a plan to sell its manufacturing property used by the Mesta operations, located in North Huntingdon, PA, USA. Management has determined that the criteria for classification as held for sale under IFRS 5 were met as at June 27, 2026, as the asset is available for immediate sale in its present condition and the sale is considered highly probable within twelve months. Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Depreciation ceased upon classification as held for sale.

6. 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 27, 2026	December 31, 2025
Property, plant and equipment owned	$ 121,325	$ 112,358
Right-of-use assets	23,711	24,607
	$ 145,036	$ 136,965

The Group had acquisitions of property, plant and equipment owned for the six months ended June 27, 2026, in the amount of $14,895,000 – $11,586,000 of machinery and equipment, $2,033,000 of leasehold improvements and $1,276,000 of computer equipment (2025 – $19,682,000 – $1,022,000 of buildings, $14,853,000 of machinery and equipment, $2,998,000 of leasehold improvements and $809,000 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	1,019	452	1,471
Depreciation	(3,308)	(208)	(3,516)
Effect of movements in exchange rates	1,130	19	1,149
Balance at June 27, 2026	$ 22,865	$ 846	$ 23,711

Three and six months ended June 27, 2026 and June 28, 2025 (tabular amounts in thousands of dollars except share and per share amounts)

7. Investments in properties

	June 27, 2026	December 31, 2025
Glen Ewing Property	$ 1,044	$ 1,044
Marnate Property	1,552	1,657
	$ 2,596	$ 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 June 27, 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 of $1,552,000). The estimated fair value of the property as at June 27, 2026 is 2,130,000 Euros (approximately $3,442,000). The fair value was determined based on independent available market evidence, based on comparable property sales, by an independent valuator.

8. Investments

	June 27, 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 and six months ended June 27, 2026 and June 28, 2025 (tabular amounts in thousands of dollars except share and per share amounts)

9. Lease and other long-term liabilities

	June 27, 2026	December 31, 2025
Lease liabilities	$ 24,640	$ 25,490
Contingent consideration	877	847
	$ 25,517	$ 26,337
Current	$ 7,647	$ 7,023
Non-Current	$ 17,870	$ 19,314

Lease liability maturity analysis – contractual undiscounted cash flows	June 27, 2026	December 31, 2025
Less than one year	$ 7,899	$ 7,540
One to five years	19,942	21,696
More than five years	–	529
Total undiscounted lease liabilities	$ 27,841	$ 29,765
Less: effect of discounting and foreign exchange	$ (3,201)	$ (4,275)
Lease liabilities included in the statement of financial position	$ 24,640	$ 25,490
Current	$ 6,770	$ 6,176
Non-current	$ 17,870	$ 19,314

	Six Months Ended	
Amounts recognized in statement of operations	June 27, 2026	June 28, 2025
Interest on lease liabilities	$ 766	$ 565

	Six Months Ended	
Amounts recognized in statement of cash flows	June 27, 2026	June 28, 2025
Payment of lease liabilities	$ 3,033	$ 3,335

Three and six months ended June 27, 2026 and June 28, 2025 (tabular amounts in thousands of dollars except share and per share amounts)

10. Share capital

a) Dividends

The following dividends were declared and paid by the Company:

	Six Months Ending			
		June 27, 2026		June 28, 2025
55 cents per Class A common share (2025: 55 cents)	$	5,020	$	5,019
55 cents per Class B common share (2025: 55 cents)		1,528		1,528
	$	6,548	$	6,547

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 27, 2026 and June 28, 2025 was as follows:

	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

	Number of DSUs		**Closing Share Price**
Balance at January 1, 2026	145,441	$	159.48
DSUs issued	2,671		324.67
DSUs settled	(49,074)		288.35
Balance at June 27, 2026	99,038	$	324.67

An expense of $19,696,000 for the three months ended June 27, 2026 and an expense of $23,110,000 for the six months ended June 27, 2026 was recorded in share-based compensation expenses (three months ended June 28, 2025 expense of $6,413,000; six months ended June 28, 2025 recovery of $1,392,000). The liability of $32,155,000 (December 31, 2025 - $23,195,000) related to these DSUs is included in accounts payable and accrued liabilities.

Three and six months ended June 27, 2026 and June 28, 2025 (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 six months ended June 27, 2026 and June 28, 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 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

	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	
Units settled	(23,637)	(15,757)	(39,394)	
Issued Balance at June 27, 2026	26,386	17,589	43,975	$ 324.67

	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	4,386	4,026	8,412	
Units settled	(35,457)	(15,757)	(51,214)	
Vested Balance at June 27, 2026	12,747	7,041	19,788	$ 324.67

An expense of $4,277,000 for the three months ended June 27, 2026 and $6,626,000 for the six months ended June 27, 2026 was recorded in share-based compensation expenses (three months ended June 28, 2025 – expense of $2,691,000; six months ended June 28, 2025 – recovery of $360,000). The liability of $6,819,000 (December 31, 2025 - $10,567,000) related to these PSUs and RSUs is included in accounts payable and accrued liabilities.

Three and six months ended June 27, 2026 and June 28, 2025 (tabular amounts in thousands of dollars except share and per share amounts)

11. 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 June 27, 2026 was $8,710,000 and six months ended June 27, 2026 was $11,155,000 (three months ended June 28, 2025 – loss of $12,492,000 and six months ended June 28, 2025 was a loss of $14,652,000) and relates to the translation of wholly-owned subsidiaries.

12. Sales

	Three Months Ending		Six Months Ending	
	June 27, 2026	June 28, 2025	**June 27, 2026**	June 28, 2025
United States and Mexico	$ 272,691	$ 157,581	$ 472,427	$ 298,487
Canada	44,669	58,577	97,945	110,212
India	7,442	8,261	19,270	17,123
	$ 324,802	$ 224,419	$ 589,642	$ 425,822

As at June 27, 2026, the Company had contract liabilities of $10,334,000 (December 31, 2025 – $5,946,000).

13. 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, year-to-date $1,762,000 (three months ended June 28, 2025 $881,000; six months ended June 28, 2025 $1,762,000).

Three and six months ended June 27, 2026 and June 28, 2025 (tabular amounts in thousands of dollars except share and per share amounts)

14. 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 27, 2026	Six Months Ending June 28, 2025
Accounts receivable	$ (59,891)	$ (17,123)
Inventories	(18,142)	(11,403)
Prepaid expenses and other assets	(359)	647
Accounts payable and accrued liabilities	4,311	(13,325)
Deferred revenue	4,388	(1,129)
Provisions	(1,032)	(663)
Settlement of derivatives	(1,747)	1,447
Foreign exchange	4,240	(11,810)
	$ (68,232)	$ (53,359)

15. Subsequent event

Share Purchase of AEG Power Solutions ("AEG")

On June 29, 2026, the Company completed the acquisition of 100% of the issued and outstanding shares of AEG Power Solutions ("AEG") for approximately $365 million. AEG is a global provider of power supply and power conversion solutions for industrial and renewable applications. AEG designs and manufactures AC and DC uninterruptible power supply systems, battery chargers, rectifiers and power conversion products serving industrial, infrastructure, transportation, energy and other critical applications. The acquisition is structured as a share purchase through a newly created subsidiary, Hammond Power Solutions BV, which is100% owned by the Company.

Concurrent with the closing of the transaction, the Company entered into a new syndicated secured credit facility consisting of up to US$300 million of term debt and up to US$150 million available under a revolving credit facility. The proceeds of the term facility were used to finance the acquisition. The credit agreement matures in 2030, unless terminated earlier in accordance with its terms.

As the acquisition occurred subsequent to the reporting date, the Company has not recognized any assets acquired or liabilities assumed in these condensed consolidated interim financial statements.

The accounting for the acquisition is not yet complete. The Company is in the process of determining the fair values of the assets acquired, liabilities assumed, and identifiable intangible assets acquired. Consequently, the Company is not yet able to disclose the preliminary amounts recognized for the business combination or provide estimates of the expected allocation of the purchase price. The Company will continue to refine its preliminary acquisition accounting during the measurement period and will update the recognized amounts and related disclosures in future reporting periods, as appropriate.

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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

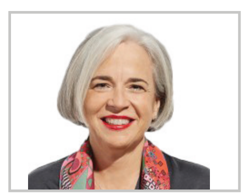
Directors

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.