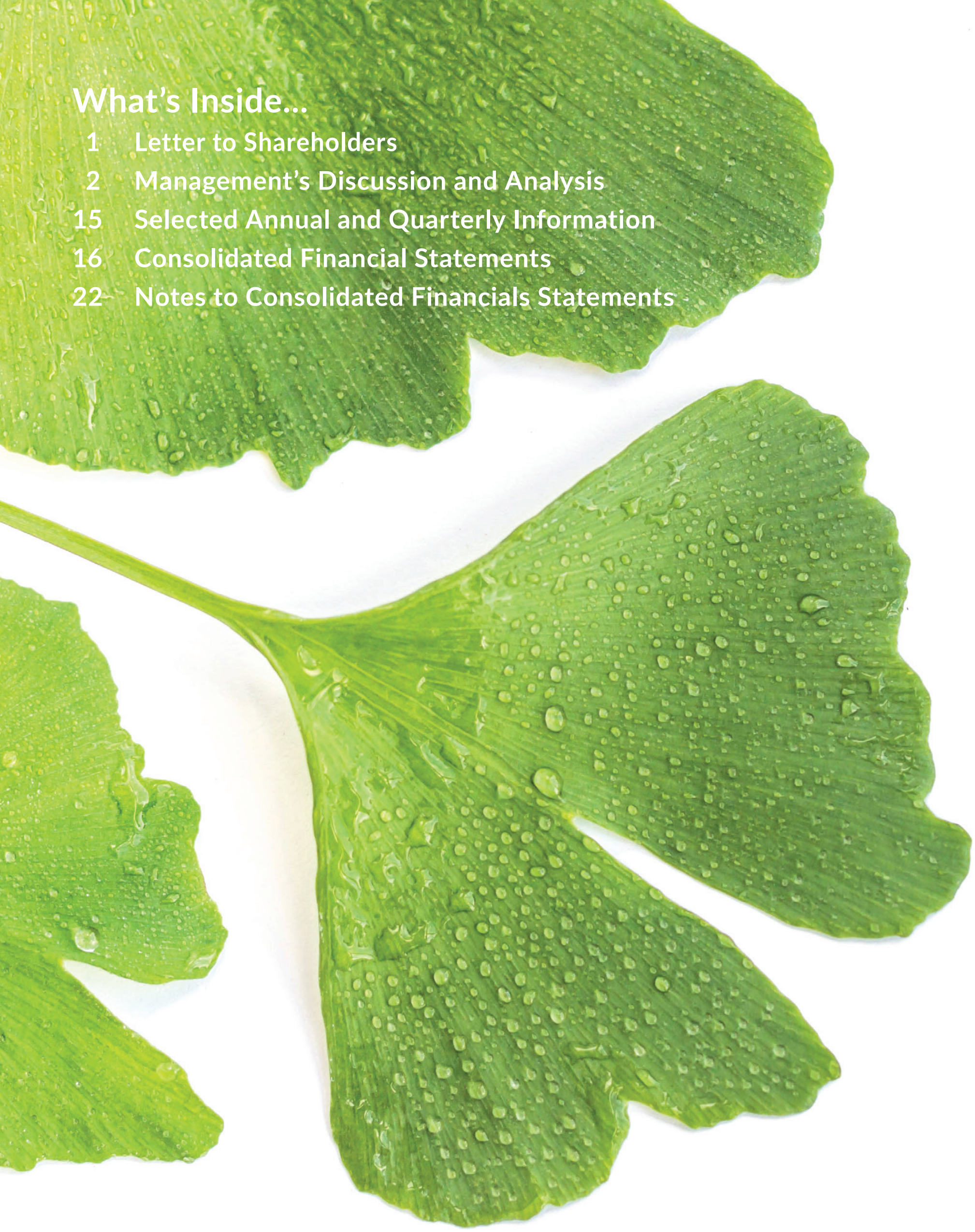
Q3 Report

For the nine months ending September 28, 2019

Hammond Power Solutions Inc.



What's Inside...

Our Vision

To be a leading global supplier of transformers and magnetics within our chosen markets.

Our Mission

We are a growing and profitable global supplier of transformers and related magnetic products dedicated to satisfying the collective needs of our shareholders, customers, suppliers, employees and community.

Our Values

We value the **safety** and **well-being** of all

We expect **honesty, integrity** and **ethical behaviour**

We embrace **diversity** by nurturing an **inclusive** environment and treating everyone with **dignity** and **respect**

We promote **innovation** and a relentless pursuit of **continuous improvement** through **teamwork**

We believe in **a collaborative approach** to **social** and **environmental sustainability**

Fellow Shareholder:

I am pleased to report Hammond Power Solutions Inc. ("HPS") achieved another quarter of strong financial results in Quarter 3, 2019, delivering once again above average growth in both sales and profits.

For more than 12 months, we have seen unmatched growth in our North American business as we continue to expand our market share in both Canada and the United States ("U.S."). Our Canadian sales have climbed to the highest levels ever while our U.S. business continues to grow at double digit rates. Much of our success has been driven by HPS' diversity in geography, channel, markets and breadth of products – delivered despite signs of a slowing global economy.

HPS has a formidable business model built around service as well as ease of doing business. This, along with a vastly improved financial picture following the closure of our Italian operation, positions HPS very positively as our year comes to an end and we move into 2020.

The Company has also focused considerable effort on improving profit margins through product redesign, material cost reductions, improved shop floor productivity and optimizing plant loading – all of which has assisted in making HPS more competitive and profitable.

As the year comes to a close and the clouds of economic uncertainty seem to be building around us we remain cautiously optimistic with regard to 2020. Our optimism is supported by a large backlog of orders as well as the continuing strong momentum of our bookings.

HPS has never been in a stronger position, and we intend to do our best to remain the leading transformer supplier of choice for our distributors and customers.

WGH

William G. Hammond
CHAIRMAN OF THE BOARD & CHIEF EXECUTIVE OFFICER

Management's Discussion and Analysis

HPS' reputation is that of an industry leader who continues to grow market share. The Company is both operationally and financially strong. The continued escalating sales for Quarter 3, 2019 are evidence of our strong and growing market position.

Through its strategies, the Company has aligned itself to meet the evolving needs of our traditional markets while becoming a leading player in a growing number of market sectors.

Hammond Power Solutions Inc. ("HPS" or the "Company") is a North American leader in the design and manufacture of custom electrical engineered magnetics, standard electrical dry-type, cast resin and liquid filled transformers. Advanced engineering capabilities, high quality products, global reach and fast responsive service to customers' needs have established the Company as a technical and innovative leader in the electrical transformer industry. The Company has manufacturing plants in Canada, the United States (U.S.), Mexico and India.

The following is Management's Discussion and Analysis ("MD&A") of the Company's consolidated operating results for the nine months ended September 28, 2019, and should be read in conjunction with the accompanying unaudited Condensed Interim Consolidated Financial Statements of the Company for the third quarter of fiscal 2019. This information is based on Management's knowledge as at November 6, 2019. 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 2018 Annual Report and accordingly, the purpose of this document is to provide a third quarter update to the information contained in the fiscal 2018 MD&A. All amounts are reported under International Financial Reporting Standards ("IFRS"). 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.sedar.com, 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, HPS' strategies, intentions, plans, beliefs, expectations and estimates, and can generally be identified by the use of words such as "may", "will", "could", "should", "would", "likely", "expect", "intend", "estimate", "anticipate", "believe", "plan", "objective" and "continue" and words and expressions of similar import. Although HPS believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from expectations include but are not limited to: general business and economic conditions (including but not limited to currency rates); changes in laws and regulations; legal and regulatory proceedings;

and the ability to execute strategic plans. HPS 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.

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" from continuing operations represents EBITDA from continuing operations adjusted for foreign exchange gain or loss. Operating earnings, EBITDA and Adjusted EBITDA are some of the measures the Company uses to evaluate the operational profitability. 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, EBITDA and Adjusted EBITDA in making investment decisions about the Company and to measure its operational results. A reconciliation of EBITDA and Adjusted EBITDA to net earnings for the quarters ending September 28, 2019 and September 29, 2018 is contained in the MD&A. Earnings from operations, EBITDA and Adjusted EBITDA should not be construed as a substitute for net earnings determined in accordance with IFRS.

"Order bookings" represent confirmed purchase orders for goods or services received from our customers. "Backlog" represents all unshipped customer orders. "Book value per share" is the total shareholders' equity divided by the average outstanding shares. The terms "earnings from operations" "EBITDA", "Adjusted EBITDA", "order bookings", "backlog" and "book value per share" do not have any standardized meaning prescribed within IFRS and may not be comparable to similar measures presented by other companies.

Sales

Sales from continuing operations for the quarter-ended September 28, 2019 were $91,502, an increase of $9,949 or 12.2% from Quarter 3, 2018 sales of $81,553. Year-to-date 2019 sales from continuing operations increased $40,761 or 17.9% to $268,129 compared to $227,368 in 2018.

Sales in the United States ("U.S.") increased by $2,677 or 5.2%, finishing at $54,269 for Quarter 3, 2019 compared to $51,592 in Quarter 3, 2018. Year-to-date U.S. sales were $167,709 in 2019 and $144,446 in 2018, a significant increase of $23,263 or 16.1%. The increase in the Quarter 3, 2019 sales is a result of growth in the North American Electrical Distributor ("NAED"), private branding and specialty markets, partially offset by softness in the power control and motor control markets in the quarter.

Third quarter sales were favourably affected by a 0.8% stronger U.S. dollar ("USD") $1.00 USD = $1.32 Canadian dollar ("CAD") compared against $1.00 USD = $1.31 CAD in Quarter 3, 2018. Year-to-date sales were positively impacted by a 3.1% stronger U.S. dollar - $1.00 USD = $1.33 CAD compared against $1.00 USD = $1.29 CAD in 2018.

U.S. sales, when stated in U.S. dollars were $41,118 in Quarter 3, 2019, compared to Quarter 3, 2018 of $39,468, a growth of $1,650 or 4.2%. Year-to-date U.S. sales stated in U.S. dollars were $126,145 in 2019 compared to $112,663 in 2018, an increase of $13,482 or 12.0%.

Canadian sales continued to surge and were $31,491 for the quarter, an increase of $7,685 or 32.3% from Quarter 3, 2018 sales of $23,806. Year-to-date Canadian sales were $87,015 in 2019 compared to $67,118 in 2018, a substantial increase of $19,897 or 29.6%. Canadian sales experienced improvements in a number of markets this quarter compared to the same quarter last year, specifically NAED, capital equipment, switchgear and utilities markets offset by a decrease in mining.

Indian sales for Quarter 3, 2019 finished at $5,742 versus $6,155 in Quarter 3, 2018, a decrease of $413 or 6.7%. Year-to-date Indian sales were $13,405 in 2019 compared to $15,804 in 2018, a decrease of $2,399 or 15.2%, primarily due to the delay in shipment of a state government solar project.

Quarter 3, 2019 sales from continuing operations stated by geographic segment were derived from U.S. sales of 59.3% (Quarter 3, 2018 – 63.3%) of total sales, Canadian sales of 34.4% (Quarter 3, 2018 – 29.2%) and Indian sales of 6.3% (Quarter 3, 2018 – 7.5%).

The Company's expanded product offerings, new customer business development, organic customer diversity and geographically diverse manufacturing capabilities combine to position HPS as an industry leader with continued market share growth. The Company continues to realize substantial increases in the North American market through its strong NAED and OEM channels. Distributor conversions and the Company's manufacturing capabilities to produce both standard and custom transformers allows HPS to be a leader in the marketplace.

HPS is committed to its growth strategy as demonstrated by its business development activities, capital investment, vertical integration strategies and product development. The market diversification strategy is not industry dependent, which creates a natural business hedge as some markets grow while others decline.

The Company is committed to providing superior value to our customers through its extensive product offerings of both standard and custom engineered designs, uncompromised quality, responsive customer service and product development. These factors combined with a strong, effective distribution channel, multi-national manufacturing capabilities and global reach will continue to be a competitive advantage for the Company.

Order bookings and backlog

The Company increased bookings 13.3% over Quarter 3, 2018 due to stronger bookings in the distributor channel in North America offset by slightly lower direct channel bookings in the United States and Indian markets.

Booking rates in the distributor channel increased 29.7% over Quarter 3, 2018. On a direct channel basis, bookings were slightly lower than Quarter 3, 2018 by 3.2%. Stronger bookings in both the U.S. and Canadian distribution markets were experienced as the Company continues to grow market share in our traditional markets through its distribution channel, particularly the commercial construction market.

On a year-to-date basis overall Company bookings have increased 12.1% over the same period as last fiscal year. The distributor channel bookings increased 12.3% and the direct channel bookings are higher by 11.9%, due to higher bookings with selected North American OEM customers.

Backlog increased 2.9% over Quarter 3, 2018 and up 1.8% form Quarter 2, 2019. The company has experienced solid order activity from NAED, private label, capital equipment, utility and switchgear markets.

Quotation activity continues to be active – a good indicator of future sales. It is expected the combination of the Company's strategic sales initiatives, expanded distributor footprint and new product development will translate into a rise in booking rates.

HPS is sensitive to the volatility and unpredictability of current global economies and the impact that this will have on booking trends. While several markets are seeing positive quotation and order trends, the Company is cognizant that it may see some volatility and unpredictability in longer term booking rates.

Gross margin

The gross margin rate for Quarter 3, 2019 was 24.9% compared to a Quarter 3, 2018 gross margin rate of 22.6%, an increase of 2.3% of sales. The year-to-date gross margin rate was 24.1% in 2019 versus 23.2% in 2018, an increase of 0.9%.

The improvement in the margin rate was realized through the attainment of implemented market specific price increases and the higher manufacturing throughput, which has a favorable impact on the absorption of factory overheads. These factors offset an unfavorable product mix, additional tariffs and aggressive competitor pricing strategies. Our custom-engineered solutions provide the customer with quality products and exceptional customer service. This is the cornerstone to delivering solid and improved gross margin performance.

The quarter quotation activity, backlog growth and surging sales provides indications of financial performance strength. While these factors are encouraging, fluctuating markets, pricing pressures and product mix can have significant impacts on financial results. The Company is optimistic about the strong performance for the remainder of the year but remains somewhat cautious longer term as there are preliminary indicators of a slowing market in 2020.

The Company can hedge the volatility of markets and sales demand given the diversified customer base. Some markets will realize growth and HPS will experience a decline in others. In the past the Company has encountered the impact of an uncertain economic environment through negatively impacted margin rates from a price realization and manufacturing capacity underutilization perspective. The implementation of productivity improvement, material procurement, engineering cost reduction initiatives, and investment in new product development mitigate these negative effects.

HPS continues to commit resources to its continuous improvement program, which will result in implementing productivity enhancements, cost reductions and lead-time improvements across the entire organization. The Company is confident that going forward these actions will enhance margin rates and overall financial performance.

DOLLARS IN THOUSANDS UNLESS OTHERWISE STATED

As sales grow, the accretive impact of higher manufacturing throughput has on the absorption of factory overheads, will favourably impact margin rates. The Company's capacity management strategy is fundamental for future increases in sales demand created through growth of market share and sales from newly developed products.

Selling and distribution expense

Total selling and distribution expenses were $10,706 in Quarter 3, 2019 or 11.7% of sales versus $9,283 in Quarter 3, 2018 or 11.4% of sales, an increase of $1,423 and 0.3% of sales. Year-to-date selling and distribution expenses were $31,552 or 11.8% of sales in 2019 compared to $25,997 or 11.4% in 2018, an increase of $5,555 and 0.4% of sales. The year-over-year increase in selling and distribution expenses is a result of higher variable freight and commission expenses attributable to the sales growth. Freight expenses have also increased due to escalating fuel costs when compared to 2018.

General and administrative expense

General and administrative expenses for Quarter 3, 2019 was $6,604 or 7.2% of sales, compared to Quarter 3, 2018 expenses of $5,918 or 7.3% of sales, an increase of $686 but a decrease of 0.1% of sales. Year-to-date general and administrative expenses were $18,425 or 6.9% of sales in 2019, compared to $17,740 or 7.8% of sales in 2018, an increase of $685 and a decrease of 0.9% of sales. The increase in the quarter and year-to-date general and administrative expenses is a result of higher allowance for doubtful account provisions, strategic hire recruitement costs as well as increased expense in employee incentive programs. The decrease as a percentage of sales is a result of the increase in sales during the quarter and year-to-date.

Earnings from operations

Quarter 3, 2019 earnings from operations were $5,471, an increase of $2,252 or 70% from $3,219 for the same quarter last year. The year-to-date earnings from operations were $14,681 in 2019 compared to $9,053 in 2018, an increase of $5,628 or 62.2%. The improvements in the quarter and year-to-date earnings from operations is a result of increased sales, improved gross margin rate and resultant lift in gross margin dollars.

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

	Quarter 3, 2019	Quarter 3, 2018	**YTD 2019**	YTD 2018
Net earnings from continuing operations	$ 3,595	$ 2,445	$ 9,455	$ 5,551
Add:				
Income tax expense	1,434	1,003	4,240	2,407
Interest expense	419	208	1,060	611
Foreign exchange (gain)	(149)	(125)	(80)	(32)
Share of loss (income) of investment in joint venture	139	(345)	(86)	413
Other	33	33	92	103
Earnings from operations	$ 5,471	$ 3,219	$ 14,681	$ 9.053

Interest expense

Interest expense for Quarter 3, 2019 was $419, an increase of $211 or 101.4% compared to the Quarter 2, 2018 expense of $208. Year-to-date interest cost was $1,060, an increase of $449 or 73.5% when compared to the 2018 year-to-date expense of $611. $73 of the change in Quarter 3, 2019 and $228 year-to-date was due to the accounting standard adoption of IFRS 16 for leases which allocates part of lease costs to interest expense. The increase in the interest expense is a direct result of higher operating debt levels during the quarter and year due to working capital requirements associated with the increase in our sales levels, particularly a rise in accounts receivable which was partially offset by higher accounts payable.

Interest expense includes all bank fees.

Foreign exchange loss/gain

The foreign exchange gain in Quarter 3, 2019 was $149, an increase of $24 compared to the gain of $125 in Quarter 3, 2018. The year-to-date foreign exchange gain for 2019 was $80, compared to $32 for the same period last year. This gain relates primarily to the transactional exchange pertaining to the Company's U.S. dollar trade accounts payable in Canada. The earnings impact of the foreign exchange gains and losses are related to volatility in the exchange rates during the past year.

As at September 28, 2019, the Company had outstanding foreign exchange contracts in place for 17,200 Euros ("EUR"), 130,000 Rupees ("INR") and $11,000 USD – all of which are implemented as an economic hedge against translation gains and losses on inter-company loans as well as $52,000 USD to economically hedge the U.S. dollar denominated accounts payable in Canadian HPS operations.

Income taxes

As a result of the increased earnings, Quarter 3, 2019 income tax expense was $1,434 as compared to $1,003 in Quarter 3, 2018, an increase of $431 or 43.0%. Year-to-date income tax expense was $4,240 in 2019 and $2,407 in 2018, an increase of $1,833 or 76.2%.

The consolidated effective tax rate for Quarter 3, 2019 was 28.5% versus 29.1% for Quarter 3, 2018, a small decrease of 0.6%. The year-to-date effective tax rate for the first nine months of 2019 was 31% compared to 30.2% for the same period in 2018, an increase of 0.8%. The changes in the effective tax rates are impacted by changes in the earnings mix of the Company and the share of the loss or income of investment in joint venture. The Company income is generated from different tax jurisdictions and is subject to different tax rates and regulations.

Deferred tax assets and liabilities consisting mainly of reserves and allowances are related to temporary differences on current assets and liabilities, and are not deductible against current year earnings. Deferred tax assets and liabilities relate to temporary differences resulting from intangible assets and the difference between the net book value and un-depreciated capital cost of property, plant and equipment.

Net earnings from continuing operations

Net earnings from continuing operations for Quarter 3, 2019 finished at $3,595 compared to net earnings of $2,445 in Quarter 3, 2018, an improvement of $1,150 or 47%. Year-to-date net earnings from continuing operations were $9,455 in 2019 compared to $5,551 in 2018, a significant increase of $3,904 or 70.3%. The increase in the earnings from continuing operations is a result of the substantial increases in sales, gross margin dollar contribution, supported by higher gross margin rate and controlled general and administrative expenses.

Discontinued operations and restructuring charges

In Quarter 4, 2018, the Company decided to close the Italian facility and cease operations as the entity struggled to generate adequate sales and profits. The restructuring charges were comprised of severance and benefit costs related to workforce reductions, closure and cancellation costs and write-downs of goodwill, long-lived assets and inventory, totaling $15,925. The closure of the Italian operations has been presented as discontinued operations in the financial statements.

The loss from discontinued operations for Quarter 3, 2019 was $472 and $1,054 in Quarter 3, 2018. The year-to-date loss from discontinued operations for 2019 was $1,059 versus $3,635 in 2018.

DOLLARS IN THOUSANDS UNLESS OTHERWISE STATED

Earnings per share from continuing operations

The basic earnings per share from continuing operations was $0.31 for Quarter 3, 2019, versus $0.21 in Quarter 3, 2018, an improvement of $0.10. The year-to-date basic earnings per share from continuing operations was $0.81 in 2019 and $0.47 in 2018, an increase of $0.34.

EBITDA

EBITDA for Quarter 3, 2019 was $7,302 versus $4,802 in Quarter 3, 2018, an increase of $2,500 or 52.1%. Year-to-date EBITDA was $20,524 in 2019 and $12,917 in 2018, an increase of $7,607 or 58.9%.

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

	Quarter 3, 2019	Quarter 3, 2018	**YTD 2019**	YTD2018
Net earnings from continuing operations	$ 3,595	$ 2,445	$ 9,455	$ 5,551
Add:				
Interest expense	419	208	1,060	611
Income tax expense	1,434	1,003	4,240	2,407
Depreciation and amortization	1,854	1,146	5,769	4,348
EBITDA from continuing operations	$ 7,302	$ 4,802	$ 20,524	$ 12,917
Deduct:				
Foreign exchange gain	(149)	(125)	(80)	(32)
Adjusted EBITDA from continuing operations	$ 7,153	$ 4,677	$ 20,444	$ 12,885

Summary of Quarterly Financial Information (Unaudited)

Fiscal 2019 Quarters	Quarter 1, 2019	Quarter 2, 2019	Quarter 3, 2019	YTD Total
Sales	$ 84,690	$ 91,937	$ 91,502	$ 268,129
Net earnings	$ 2,315	$ 2,958	$ 3,123	$ 8,396
Net earnings from continuing operations	$ 2,508	$ 3,352	$ 3,595	$ 9,455
Net earnings per share – basic	$ 0.20	$ 0.25	$ 0.27	$ 0.72
Net earnings per share – diluted	$ 0.20	$ 0.25	$ 0.27	$ 0.72
Net earnings per share from continuing operations – basic	$ 0.21	$ 0.29	$ 0.31	$ 0.81
Net earnings per share from continuing operations – diluted	$ 0.21	$ 0.29	$ 0.31	$ 0.81
Average U.S. to Canadian exchange rate	$ 1.3301	$ 1.3379	$ 1.3198	$ 1.3293

Fiscal 2018 Quarters	Quarter 1, 2018	Quarter 2, 2018	Quarter 3, 2018	Quarter 4, 2018	Total
Sales	$ 70,397	$ 75,418	$ 81,553	$ 86,714	$ 314,082
Net earnings (loss)	$ 895	$ (370)	$ 1,391	$ (14,833)	$ (12,917)
Net earnings from continuing operations	$ 1,884	$ 1,222	$ 2,445	$ 2,554	$ 8,105
Net earnings (loss) per share – basic	$ 0.08	$ (0.03)	$ 0.12	$ (1.27)	$ (1.10)
Net earnings (loss) per share – diluted	$ 0.08	$ (0.03)	$ 0.12	$ (1.27)	$ (1.10)
Net earnings per share from continuing operations – basic	$ 0.16	$ 0.10	$ 0.21	$ 0.22	$ 0.69
Net earnings per share from continuing operations – diluted	$ 0.16	$ 0.10	$ 0.21	$ 0.22	$ 0.69
Average U.S. to Canadian exchange rate	$ 1.2618	$ 1.2895	$ 1.3072	$ 1.3185	$ 1.2943

Quarter 3, 2019 sales continue to escalate above the prior year levels. The current economic and market conditions, as well as our ability to increase market share support the growth of sales volumes to record high levels. Despite aggressive competitor pricing pressure, HPS has benefited from earlier in the year implemented price increases in the Quarter. This improved the gross margin rate for the Quarter which positively impacted the quarterly results.

The declining losses for the discontinued operation have also contributed to the improved net earnings for the quarter. The expenses related to this operation will continue to decline as the operation winds down and the sale of assets is completed.

The Company continues to identify opportunities for savings to control expenses and improve profitability. General and administrative expenses have been consistently at the same levels as the previous years and continue to be challenged and managed.

Competitive pricing pressures, challenging market conditions, product mix, and a weakened Canadian dollar all have an impact on the year-to-year quarterly fluctuations for both sales and income.

Capital resources and liquidity

Net cash used for operating activities for Quarter 3, 2019 was $1,460 versus cash generated of $2,468 in Quarter 3, 2018, a decrease in cash of $3,928. Year-to-date net cash generated by operating activities was $1,363 compared to $1,533 in 2018, a decrease of $170. This change is a result of an increased net earnings offset by an increase in income tax payments, increase in the cash used for working capital and an increase in depreciation of right-to-use assets as required under the accounting standard adoption of IFRS 16.

During the quarter, non-cash working capital used cash of $3,869 compared to non-cash working capital generated of $428 for the same quarter last year, an increase of $4,297. The year-to-date change in non-cash working capital was a usage of cash of $14,300 in 2019 compared to $5,542 in 2018, an increase of usage of $8,758. The year-to-date working capital changes are primarily related to an increase in accounts receivable and inventory, a decrease in accounts payable and provisions and foreign exchange impacts on working capital changes.

Cash used in investing activities decreased by $167 from $2,784 in the first nine months of 2018 to $2,617 in the same period of 2019. This change was primarily attributed to the 2018 purchase of the remaining 15% minority interest in the Indian operation for $1,511. Capital expenditures were $1,054 in Quarter 3, 2019 compared to $241 for Quarter 3, 2018, an increase of $813. Year-to-date capital expenditures were $2,615 in the current year compared to $944 in 2018, an increase of $1,671. The Company continues to invest in the areas of manufacturing processes and capabilities, information systems and technology and product development.

Total cash used in financing activities for Quarter 3, 2019 was $865 as compared to $3,058 in Quarter 3, 2018. The cause for this change was higher repayment of borrowings in Quarter 3, 2018. Year-to-date financing activities used cash of $7,576 compared to cash generated of $726 in the first nine months of 2018.

DOLLARS IN THOUSANDS UNLESS OTHERWISE STATED

Bank operating lines of credit have decreased from prior year levels finishing Quarter 3, 2019 at $30,007 compared to $31,202 at the end of Quarter 3, 2018, a decrease of $1,195. The bank operating lines of credit have decreased $2,594 since the year-end balance of $32,601.

The Company's overall operating debt balance net of cash was $22,678 in Quarter 3, 2019 compared to $20,502 in Quarter 3, 2018, an increase in debt position of $2,176 primarily reflective of increased working capital needs.

All bank covenants continue to be met as at September 28, 2019.

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

Contractual obligations

	2019	2020	2021	2022	2023	Total
Accounts payable and accrued liabilities	$ 51,399	$ –	$ –	$ –	$ –	$ 51,399
Capital expenditure purchase	695	–	–	–	–	$ 695
Bank operating lines	–	–	30,007	–	–	$ 30,007
Total	$ 52,094	$ –	$ 30,007	$ –	$ –	$ 82,101

Contingent liabilities

In June 2017, the Corporation received notice of an environmental claim from the owner of a property located nearby to a property that was once partially owned by the Corporation. At this time the Company feels that there is no merit to the claim.

Management is not aware of any contingent liabilities.

Regular quarterly dividend declaration

During Quarter 3, 2019 the Board of Directors of HPS declared a quarterly cash dividend of seven cents ($0.07) per Class A Subordinate Voting Share of HPS and a quarterly cash dividend of seven cents ($0.07) per Class B Common Share of HPS payable on September 27, 2019 to shareholders of record at the close of business on September 20, 2019. The ex-dividend date was September 25, 2019. The Company has paid a cash dividend of twenty-one cents ($0.21) per Class A Subordinate Voting Share and twenty-one cents ($0.21) per Class B Common Share year-to-date. The quarter and year to date dividend per share paid in 2019 has increased 16.7% over 2018.

Normal course issuer bid

On November 5, 2018, the Board of Directors of the Corporation authorized the repurchase of up to 50,000 Class A Subordinate Voting Shares by way of a normal course issuer bid through the facilities of the TSX. The purchases commenced on November 9, 2018 and will terminate no later than November 8, 2019. Purchases were made in open market transactions on the TSX. During Quarter 3, 2019 12,282 shares were repurchased, totaling 50,000 to date. The normal course issuer bid was completed in the quarter.

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 International Financial Reporting 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 3, 2019 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 events

Sale and purchase agreement of business – Marnate, VA Italy

On October 8, 2019, the Company signed a sale and purchase agreement of business of its Marnate, Italy operation to a third party. The agreement includes the sale of the machinery and equipment, furniture and fixtures, computer equipment, inventory, the Marnate trademark, employment contracts of the employees and statutory employee liabilities. The transaction value will be approximately $1,500 and is expected to close mid Quarter 4, 2019.

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 a number of market place, industry and economic-related business risks, which could cause our results to vary materially from anticipated future results. The Company is acutely cognizant of these risks and continually assesses the current and potential impacts that they have on the business. HPS continuously strives to curtail the negative impact of these risks through diversification of its core business, market channel expansion, breadth of product offering, geographic diversity of its operations and business hedging strategies. If any of the following risks were to occur they could materially adversely affect HPS' financial condition, liquidity or results of operations.

These risks include:

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

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

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

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

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

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

Our global business translates into conducting business in various currencies, all of which are subject to fluctuations.
HPS' global footprint exposes the Company to currency fluctuations and volatility and at times, has had a significant impact on the financial results of the Company. The Company's functional currency is the Canadian dollar with its operating results reported in Canadian dollars. A significant portion of 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 a lower value for the Canadian dollar compared to the U.S. dollar will have a beneficial impact on the Company's results while a higher value for the Canadian dollar compared to the U.S. dollar will have a corresponding negative impact on the Company's profitability.

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

Worldwide, HPS is subject to and required to comply with multiple income and other taxes, regulations and is exposed to uncertain tax liabilities risk.
The Company operates and is subject to income tax and other forms of taxation in numerous tax jurisdictions. Taxation laws and rates which determine taxation expenses, may vary significantly in different jurisdictions and legislation governing taxation laws and rates is also subject to change. Therefore, the Company's earnings may be impacted by changes in the proportion of earnings taxed in different jurisdictions, changes in taxation rates, changes in estimates of liabilities and changes in the amount of other forms of taxation. Tax structures are subject to review by both domestic and foreign taxation authorities. The determination of the consolidated tax provision and liabilities requires significant judgment. Tax filings are subject to audits which could materially change the amount of current and deferred income tax assets and liabilities.

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

The U.S. political uncertainty and potential for changes in the business environment can lead to legislative changes that could impact business.
The results of the last U.S. election have created a number of geopolitical risks that could be challenging for the Company. The impact of these political changes can be difficult to predict and can have a pervasive impact on the global business climate. Changes in political leaders can impact trade relations as well as taxes and/or duties. The Company's current structure includes a significant amount of business that crosses borders and any changes in the current trade structure could have a material impact for the Company. The Company's global footprint will be critical to mitigating any impact for political changes that would modify the current trade relationships.

Our industry is highly competitive.
HPS faces competition in all of our market segments. Current and potential competitors may have greater brand name recognition, more established distribution networks, access to larger customer bases and substantially greater financial, distribution, technical, sales and market, manufacturing and other resources than HPS. As a result, those competitors may have advantages relative to

HPS; including stronger bargaining power with suppliers that may result in more favourable pricing, the ability to secure supplies at time of shortages, economies of scale in production, the ability to respond more quickly to changing customer demands and the ability to devote great resources to the development, promotion and sales of their products and services. If the Company is unable to compete effectively, it may experience a loss of market share or reduced profitability. We expect the level of competition to remain high in the future.

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

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

The disruption to businesses that can come from unpredictable weather can have an impact on sales volume as customer projects can be delayed or cancelled.
Extreme weather conditions such as heavy rains, flooding, snowfall, tornadoes and hurricanes can potentially have a negative impact on the Company's sales trends and booking rates. When these conditions are present the Company may see short-term effects of such occurrences due to their unpredictability. This may impact delivery and capacity requirements.

The business practice of extending credit to customers can lead to a risk of uncollectability.
A substantial portion of the Company's accounts receivable are with customers in manufacturing sectors and are subject to credit risks normal to those industries. The Company's expansion into emerging markets increases credit risk which is partially mitigated by progress payments. Approvals are based on trade information, payment history, credit rating and financial analysis. Although the Company has historically incurred very low bad debt expense, the current economic environment conditions elevate this exposure.

Market supply and demand impact on commodity prices
An area that has a definite impact on the Company's costs and earnings is the cyclical effects and unprecedented market cost pressures of both copper commodity and steel pricing in the global markets. This risk is mitigated through strategic supply line agreements and alliances in place with major steel suppliers to ensure adequate supply and competitive market pricing.

Off-balance sheet arrangements

The Company has no off-balance sheet arrangements, other than operating leases disclosed in Notes to the Consolidated Financial Statements contained in our 2018 Annual Report.

Transactions with related parties

The Company had no transactions with related parties in 2018, other than transactions disclosed in Note 14 in the Condensed Notes to the Condensed Consolidated Interim Financial Statements contained in our Quarter 3, 2019 Report.

Proposed transactions

The Company continues to evaluate strategic business development initiatives and has no firm transactions as at September 28, 2019.

Financial instruments

As at September 28, 2019, the Company had outstanding foreign exchange contracts in place for 17,200 EUR, 130,000 INR and $11,000 USD – all of which are implemented as a hedge against translation gains and losses on inter-company loans as well as $52,000 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.

DOLLARS IN THOUSANDS UNLESS OTHERWISE STATED

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

The Company assesses the carrying value of its property, plant and equipment, intangible assets and goodwill every year, or more often if necessary. If it is determined that we cannot recover the carrying value of an asset or goodwill, the unrecoverable amount is written off against current earnings. The Company bases its assessment of recoverability on assumptions and judgments about future prices, demand and manufacturing costs. A material change in any of these assumptions could have a significant impact on the potential impairment and/or useful lives of these assets.

The Group has recorded restructuring charges during 2018 and 2017. The restructuring provision is comprised of severance and benefits costs related to workforce reductions, closure and cancellation costs. While management has made reasonable efforts to estimate these costs, actuals could differ from what has been accrued. For details of the restructuring charges, refer to note 13 in the Condensed Interim Consolidated Financial Statements of the Company.

Outstanding share data

Details of the Company's outstanding share data:

8,961,624	Class A Shares
2,778,300	Class B Common Shares
11,739,924	Total Class A and B Shares

Adopted accounting pronouncements

Leases

On January 13, 2016 the IASB issued IFRS 16, Leases, which became effective for the Company's annual and interim financial statements commencing for the period beginning January 1, 2019.

Under this standard, the Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

The modified retrospective approach was applied when implementing this standard. This approach calculated the lease assets and lease liabilities and recognized an equity adjustment at January 1, 2019 and does not restate prior-period financial information. The Group recorded a right-of-use asset for the Company's premises and other leases in the amount of $8,437,000, a corresponding lease obligation of $11,041,000 and an adjustment to retained earnings of $2,603,000. Effective January 1, 2019, amounts which previously would have been characterized as rent expense for these leases are now included in the Statement of Operations as depreciation and interest expense.

New accounting pronouncements

The International Accounting Standards Board has issued the following Standards, Interpretations and Amendments to Standards that are not yet effective and while considered relevant to the Company, the Company has not yet adopted these Standards.

Definition of a Business (Amendments to IFRS 3)

On October 22, 2018, the IASB issued amendments to IFRS 3 Business Combinations, that seeks to clarify whether a transaction results in an asset or a business acquisition. The amendments apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.

The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or as a group of similar identifiable assets. If the preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process.

The Company intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2020. The Company does not expect the adoption of the Amendments to have a material impact on the consolidated financial statements.

Strategic direction and outlook

HPS has undergone significant growth and expansion over the past few years:

- Escallating growth of the NAED channel;
- Expanded relationships with existing customers;
- Growth through strategic acquisition;
- New global customers;
- Compliance with regulatory changes;
- New product development;

- Expanded product offering using cast resin technology;
- Capital investment in North American manufacturing facilities in Canada, the U.S. and Mexico;
- Establishment of a state of the art core manufacturing facility in Mexico; and
- Development and further Implementation of our ERP system to enhance availability of information and streamline processes.

The Company's facilities throughout the world continue to be enhanced through strategic and operational initiatives and capital investment. The increase in sales volume continues to utilize plant capacity and absorb production costs, therefore increasing gross margin rate. It is imperative to continue to upgrade and maintain the facilities and related production equipment to continue to accommodate further growth.

The implementation of the ERP system has allowed HPS to enhance the availability and quality of information accessible to support operational performance, improve customer service, strategic decision making and audit and control. An implementation project has begun in Quarter 3, 2019 for the Company's remaining operation that will be converted to our ERP platform, and is expected to be fully implemented in late 2020. This common integrated system is an important step towards providing one global, consistent source of information and data.

At the end of 2018 the decision was made to close the Italian facility and cease operations due to low sales volume and inability to cover fixed costs related to these operations. The closure resulted in restructuring charges and the presentation of the Italian operations as discontinued. Subsequently as part of this closure, the Company signed a sale and purchase agreement of business of this operation to a third party in early Quarter 4,2019.

HPS is sensitive to the impact the global economy's volatility has on the Company's ability to maintain competitiveness and market share growth. Our international operations development has allowed the Company to expand its product offering with cast resin and liquid filled transformer technology and opened up additional markets and customers that were previously not accessible.

HPS continues to focus on customer service and growth, while expanding existing relationships and exploring new opportunities. Past regulatory requirements to comply with the U.S. Department of Energy and the Canadian efficiency standard changes (NRCan) has created opportunities for the Company to deliver energy efficient, regulatory compliant transformers fulfilling the needs of our customers. These regulation changes have resulted in new product development and manufacturing techniques.

The Company has also experienced the unpredictability of foreign currency exchange rates, variability of raw material commodity costs, fluctuating manufacturing throughput and market pricing pressures. These deterrents are being prudently managed through the Company's operational plans and strategic initiatives and projects.

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

- Investing in capital and its employees;
- Disciplined cost management initiatives;
- Sales development;
- NAED channel expansion;
- Broadened product offering;
- Bringing quality and value to all stakeholders of the Company;
- Cash flow generation;
- Product development;
- Capital investment:and
- Strategic planning;

HPS' reputation is that of an industry leader who continues to grow market share. The Company is both operationally and financially strong. The continued escalating sales for Quarter 3, 2019 are evidence of our strong and growing market position. Through its strategies, the Company has aligned itself to meet the evolving needs of our traditional markets while becoming a leading player in a growing number of market sectors.

The Company has navigated through fluctuating and challenging economic times, increased globalization, adapted to changes in customers and markets, regulatory changes and has experienced significant advances in technology. HPS has framed these challenges as opportunities and developed strategies to address these rapid changes.

HPS continues to focus on increasing market share, driving sales growth from new product development, continue geographic diversification, capturing productivity gains and cost reductions and further enhancing capacity flexibility.

The combination of our resilience, decades of experience, customer service commitment, engineering expertise, solid supplier relationships, product breadth, diverse customers and markets are all critical to the success of HPS.

The Company will deliver solid financial performance, provide a sustainable return to our shareholders, maintain the Balance Sheet strength and deliver long-term value to all stakeholders.

Selected Annual and Quarterly Information

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 Third Quarter of 2019. The quarterly information has been extracted from our unaudited consolidated financial statements, which in the opinion of Management are prepared in accordance with the IFRS accounting framework as noted.

(tabular amounts in thousands of dollars)

Annual Information (1)	2014	2015	2016	2017	2018
Sales	247,756	274,639	274,793	301,750	321,802
Earnings (loss) from operations	6,460	12,644	10,873	14,470	(8,245)
EBITDA	12,327	18,748	14,356	19,633	17,915
Net earnings (loss)	2,520	6,320	1,793	6,114	(12,917)
Total assets	184,291	222,969	205,177	192,449	205,527
Non-current liabilities	9,527	5,454	4,131	3,641	2,528
Total liabilities	69,854	90,668	84,524	77,438	96,793
Total shareholders' equity attributable to equity holders of the Company	112,271	129,665	120,441	114,848	108,734
Total debt	(14,833)	(13,202)	(11,318)	(16,983)	(17,056)
Cash provided by operations	18,450	16,065	15,216	1,032	6,474
Basic earnings (loss) per share	0.22	0.53	0.16	0.53	(1.10)
Diluted earnings (loss) per share	0.22	0.53	0.16	0.52	(1.10)
Dividends declared and paid	2,800	2,807	2,808	2,809	2,818
Average exchange rate (USD$=CAD$)	1.1025	1.274	1.325	1.298	1.294
Book value per share	9.61	11.08	10.29	9.80	9.26

	2017		2018				2019	
Quarterly Information (2)	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Sales	75,829	70,397	75,418	81,553	86,714	84,690	91,937	91,502
Earnings from operations	3,774	2,752	3,028	3,219	4,780	4,479	4,731	5,471
EBITDA	4,555	4,410	3,705	4,802	4,998	6,111	7,111	7,302
Net earnings	625	1,884	1,222	2,445	2,554	2,508	3,352	3,595
Total assets	192,449	197,187	202,635	200,954	205,527	206,554	205,059	206,586
Non-current liabilities	3,442	3,429	3,383	3,291	2,528	10,914	10,558	9,947
Total liabilities	77,438	77,829	83,210	83,253	96,793	99,939	99,640	96,870
Total shareholders' equity attributable to equity holders of the Company	114,848	119,358	119,425	117,701	108,734	106,615	105,419	109,716
Total debt	(16,983)	(21,483)	(21,578)	(20,502)	(17,056)	(27,133)	(28,853)	(32,433)
Cash provided by (used in) operations	421	(1,907)	972	2,468	4,941	2,316	507	(1,460)
Basic earnings per share	0.05	0.08	(0.03)	0.12	(1.27)	0.20	0.25	0.27
Diluted earnings per share	0.04	0.08	(0.03)	0.12	(1.27)	0.20	0.25	0.27
Dividends declared and paid	703	704	704	704	706	822	821	821
Average exchange rate (USD$=CAD$)	1.270	1.262	1.290	1.307	1.319	1.330	1.338	1.320
Book value per share	9.80	10.18	10.16	10.02	9.26	9.09	8.99	9.33

(1) Balances not restated to reflect discontinued operations

(2) Balances for 2017 not restated to reflect discontinued operations, 2019 balances reflect information from continuing operations

Condensed Consolidated Statements of Financial Position

(unaudited) (tabular amounts in thousands of dollars)

	As at			
		September 28, 2019		December 31, 2018
Assets				
Current assets				
Cash	$	7,329	$	15,545
Accounts receivable		72,666		69,010
Inventories		52,946		48,636
Income taxes recoverable		1,001		953
Prepaid expenses and other assets		2,239		4,082
Total current assets	$	136,181		138,226
Non-current assets				
Long-term lease receivable	$	3,208		3,604
Property, plant and equipment (note 4)		34,288		29,038
Investment in properties		1,044		1,044
Investment in joint venture (note 5)		13,045		13,302
Deferred tax assets		939		1,042
Goodwill		11,610		11,961
Intangible assets (note 6)		6,271		7,310
Total non-current assets		70,405		67,031
Total assets	$	206,586	$	205,527
Liabilities				
Current liabilities				
Bank operating lines of credit	$	30,007	$	32,601
Accounts payable and accrued liabilities		51,399		54,326
Income tax liabilities		608		447
Provisions		2,740		6,891
Current portion of lease liabilities (note 7)		2,169		–
Total current liabilities	$	86,923		94,265
Non-current liabilities				
Provisions		386		396
Deferred tax liabilities		1,975		2,132
Long-term portion of lease liabilities (note 7)		7,586		–
Total non-current liabilities		9,947		2,528
Total liabilities	$	96,870	$	96,793
Shareholders' Equity				
Share capital		14,452		14,217
Contributed surplus		2,504		2,559
Accumulated other comprehensive income (note 9)		10,452		12,740
Retained earnings		82,308		79,218
Total shareholder's equity		109,716	$	108,734
Total liabilities and shareholders' equity	$	206,586	$	205,527

See accompanying notes to condensed consolidated interim financial statements

Consolidated Statements of Operations

(unaudited) (tabular amounts in thousands of dollars)

	Quarter Ending		Nine Months Ending	
	September 28, 2019	September 29, 2018	**September 28, 2019**	September 29, 2018
Sales (note 11)	$ 91,502	$ 81,553	$ 268,129	$ 227,368
Cost of sales	68,721	63,133	203,471	174,578
Gross margin	22,781	18,420	64,658	52,790
Selling and distribution	10,706	9,283	31,552	25,997
General and administrative	6,604	5,918	18,425	17,740
Earnings from operations	5,471	3,219	14,681	9,053
Finance and other costs (income):				
Interest expense	419	208	1,060	611
Foreign exchange gain	(149)	(125)	(80)	(32)
Share of loss (income) of investment in joint venture (note 5)	139	(345)	(86)	413
Other	33	33	92	103
Net finance and other (income) costs	442	(229)	986	1,095
Earnings before income taxes	5,029	3,448	13,695	7,958
Income tax expense	1,434	1,003	4,240	2,407
Net earnings from continuing operations	$ 3,595	$ 2,445	$ 9,455	$ 5,551
Loss from discontinued operations, net of tax (note 12)	(472)	(1,054)	(1,059)	(3,635)
Net earnings	$ 3,123	$ 1,391	$ 8,396	$ 1,916
Earnings per share				
Basic earnings per share	$ 0.27	$ 0.12	$ 0.72	$ 0.17
Diluted earnings per share	$ 0.27	$ 0.12	$ 0.72	$ 0.17
Basic earnings per share from continuing operations	$ 0.31	$ 0.21	$ 0.81	$ 0.47
Diluted earnings per share from continuing operations	$ 0.31	$ 0.21	$ 0.81	$ 0.47

See accompanying notes to condensed consolidated interim financial statements

Condensed Consolidated Statements of Comprehensive Income

(unaudited) (tabular amounts in thousands of dollars)

	Quarter Ending		Nine Months Ending	
	September 28, 2019	September 29, 2018	**September 28, 2019**	September 29, 2018
Net earnings	$ 3,123	$ 1,391	$ 8,396	$ 1,916
Other comprehensive income (loss)				
Foreign currency translation differences for foreign operations (note 9)	1,935	(2,411)	(2,288)	4,190
Total comprehensive income (loss) for the period	$ 5,058	$ (1,020)	$ 6,108	$ 6,106

See accompanying notes to condensed consolidated interim financial statements

Condensed Consolidated Statements of Changes in Equity

(unaudited) For the nine months ended September 28, 2019

(tabular amounts in thousands of dollars)	SHARE CAPITAL	CONTRIBUTED SURPLUS	AOCI*	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
Balance as at January 1, 2019	$ 14,217	$ 2,559	$ 12,740	$ 79,218	$ 108,734
Impact of application of new accounting standard (note 3)	–	–	–	(2,603)	(2,603)
Adjusted balances as of January 1, 2019	14,217	2,559	12,740	76,615	106,131
Total comprehensive income for the year					
Net earnings	–	–	–	8,396	8,396
Other comprehensive loss					
Foreign currency translation differences related to joint venture (note 5)	–	–	(343)	–	(343)
Foreign currency translation differences (note 9)	–	–	(1,945)	–	(1,945)
Total other comprehensive loss	–	–	(2,288)	–	(2,288)
Total comprehensive (loss) income for the year	–	–	(2,288)	8,396	6,108
Transactions with owners, recorded directly in equity					
Repurchase of shares (note 8)	(65)	(12)	–	(239)	(316)
Stock options exercised (note 8)	300	(43)	–	–	257
Dividends to equity holders (note 8)	–	–	–	(2,464)	(2,464)
Total transactions with owners	235	(55)	–	(2,703)	(2,523)
Balance at September 28, 2019	$ 14,452	$ 2,504	$ 10,452	$ 82,308	$ 109,716

*AOCI – Accumulated other comprehensive income

See accompanying notes to condensed consolidated interim financial statements

Condensed Consolidated Statements of Changes in Equity

(unaudited) For the nine months ended September 29, 2018

(tabular amounts in thousands of dollars)	SHARE CAPITAL	CONTRIBUTED SURPLUS	AOCI*	RETAINED EARNINGS	NON-CONTROLLING INTEREST	TOTAL SHAREHOLDERS' EQUITY
Balance as at January 1, 2018	$ 13,986	$ 2,600	$ 1,916	$ 96,346	$ 163	$ 115,011
Total comprehensive income for the year						
Net earnings	–	–	–	1,916	–	1,916
Other comprehensive income						
Foreign currency translation differences related to joint venture (note 5)	–	–	345	–	–	345
Foreign currency translation differences (note 9)	–	–	3,845	–	–	3,845
Total other comprehensive income	–	–	4,190	–	–	4,190
Total comprehensive income for the year	–	–	4,190	1,916	–	6,106
Transactions with owners, recorded directly in equity						
Stock options exercised (note 8)	245	(38)	–	–	–	207
Dividends to equity holders (note 8)	–	–	–	(2,112)	–	(2,112)
Non-controlling interest (note 10)	–	–	9	(1,357)	(163)	(1,511)
Total transactions with owners	245	(38)	9	(3,469)	(163)	(3,416)
Balance at September 29, 2018	$ 14,231	$ 2,562	$ 6,115	$ 94,793	$ –	$ 117,701

*AOCI – Accumulated other comprehensive income

See accompanying notes to condensed consolidated interim financial statements

Condensed Consolidated Statements of Cash Flows

(unaudited) (tabular amounts in thousands of dollars)

	Nine Months Ending September 28, 2019	Nine Months Ending September 29, 2018
Cash flows from operating activities		
Net earnings	$ 8,396	$ 1,916
Adjustments for:		
Share of (income) loss of investment in joint venture	(86)	413
Amortization of property, plant and equipment	5,229	3,225
Amortization of intangible assets	540	1,123
Loss on disposal of equipment	–	(5)
Provisions	(1,053)	61
Interest expense	1,060	1,023
Income tax expense	4,240	2,407
Change in unrealized gain (loss) on derivatives included within other assets	1,464	(787)
	19,790	9,376
Change in non-cash working capital (note 15)	(14,300)	(5,542)
Cash generated in operating activities	5,490	3,834
Income tax paid	(4,127)	(2,301)
Net cash generated by operating activities	1,363	1,533
Cash flows from investing activities		
Purchase of non-controlling interest (note 10)	–	(1,511)
Proceeds on disposal of equipment	–	117
Acquisition of property, plant and equipment (note 4)	(2,615)	(944)
Acquisition of intangible assets (note 6)	(2)	(446)
Cash used in investing activities	(2,617)	(2,784)
Cash flows from financing activities		
(Repayments) advances of borrowings	(2,594)	3,447
Receipt of lease receivable payments	137	207
Issue of common shares	257	207
Share repurchase (note 8)	(316)	–
Payment of lease liabilities (note 7)	(1,536)	–
Cash dividends paid (note 8)	(2,464)	(2,112)
Interest paid	(1,060)	(1,023)
Cash (used in) generated by financing activities	(7,576)	726
Foreign exchange on cash held in a foreign currency	614	453
Decrease in cash	(8,216)	(72)
Cash and cash equivalents at beginning of period	15,545	10,772
Cash and cash equivalents at end of period	$ 7,329	$ 10,700

Notes to the Condensed Consolidated Financial Statements

Nine months ended September 28, 2019 and September 29, 2018 (amounts in thousands of dollars except share and per share amounts)

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. The Company's independent auditor has not performed a review of these financial statements in accordance with standards adopted by the Canadian Institute of Charted Accountants ("CICA") for a review of interim financial statements by an entity's auditor.

1. Reporting entity

Hammond Power Solutions Inc. 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 Condensed Consolidated Interim Financial Statements of the Company as at and for the third quarter ended September 28, 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group is primarily involved in the design and manufacture of custom electrical magnetics, cast resin, custom liquid filled distribution and power transformers and standard electrical transformers, serving the electrical and electronic industries. The Group has manufacturing plants in Canada, the United States ("U.S."), Mexico and India. The Company also holds a 55% economic interest in a joint venture located in Mexico called Correfficient de R.L. de C.V. ("Corefficient").

2. Basis of preparation

(a) Statement of compliance

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

These condensed consolidated interim financial statements were approved by the Board of Directors on November 6, 2019.

(b) Use of estimates and judgments

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

In preparing these condensed consolidated 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, 2018.

3. Summary of significant accounting policies:

These condensed consolidated interim financial statements should be read in conjunction with the Group's 2018 annual audited financial statements, which are available on the System for Electronic Document Analysis and Retrieval ("SEDAR"). 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, 2018, with the exception of items noted as follows:

Changes to accounting policies

Leases

On January 13, 2016 the IASB issued IFRS 16, Leases, which became effective for the Company's annual and interim financial statements commencing for the period beginning January 1, 2019.

Under this standard, the Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate or the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some leases in which it is a lessee that includes renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right of use assets recognized.

Previously, the Group classified property and equipment leases as operating leases under IAS 17. At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate at January 1, 2019. A right-of-use asset was recognized at January 1, 2019 at an amount equivalent to its carrying amount as if IFRS 16 had been applied since the commencement of the lease, but discounted using the Company's incremental borrowing rate at the date of initial application.

The Company has elected to apply the following accounting policy exemptions:

- Grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.
- Not recognize right-of-use assets and lease liabilities for contracts that have a lease term of 12 months or less.
- Not recognize right-of-use assets and lease liabilities for leases of low-value assets (under $5,000).
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Apply a single discount rate to the portfolio of leases with reasonably similar characteristics.
- Using hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The modified retrospective approach was applied when implementing this standard. This approach calculated the lease assets and lease liabilities and recognized an equity adjustment at January 1, 2019 and does not restate prior-period financial information. The Group recorded a right-of-use asset for the Company's premises and other leases in the amount of $8,437,000, a corresponding lease obligation of $11,041,000 and an adjustment to retained earnings of $2,603,000. Effective January 1, 2019, amounts which previously would have been characterized as rent expense for these leases are now included in the Statement of Operations as depreciation and interest expense – comparative amounts have not been restated.

Uncertainty over Income Tax Treatments

On June 7, 2017 the IASB issued IFRIC Interpretation 23, Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after

Nine months ended September 28, 2019 and September 29, 2018 (amounts in thousands of dollars except share and per share amounts)

January 1, 2019. Earlier application is permitted.

The Interpretation requires:

- An entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better prediction of the resolution;
- An entity to determine if it is probable that the tax authorities will accept uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

The Group adopted the Interpretation in its financial statements for the annual period beginning on January 1, 2019. The adoption of the Interpretation did not have a material impact on the consolidated financial statements.

4. Property, plant and equipment

Property, plant and equipment comprise owned and leased assets that do not meet the definition of investment property.

		2019
Property, plant and equipment owned	$	26,926
Right-of-use assets		7,362
	$	34,288

The Group had acquisitions of fixed assets for the nine months ended September 28, 2019 in the amount of $2,615,000 of machinery and equipment (2018 – $944,000).

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	Office Equipment	Total
Balance at January 1, 2019	$ 7,915	$ 475	$ 47	$ 8,437
Additions	–	359	–	359
Depreciation	(1,180)	(236)	(18)	(1,434)
Balance at September 28, 2019	$ 6,735	$ 598	$ 29	$ 7,362

5. Joint venture

The Company has a 55% economic and voting interest in Corefficient, whose principal place of business is in Monterrey, Mexico. The Company treats its investment in Corefficient as a joint arrangement. The carrying value of the Company's interest in Corefficient is as follows:

	September 28, 2019	December 31, 2018
Cost of investment in joint venture	$ 19,304	$ 19,304
Cumulative share of loss in investment in joint venture	(3,576)	(3,662)
Foreign currency translation differences related to the joint venture	(2,683)	(2,340)
	$ 13,045	$ 13,302

Nine months ended September 28, 2019 and September 29, 2018 (amounts in thousands of dollars except share and per share amounts)

Selected financial information relating to Corefficient is as follows:

	September 28, 2019	December 31, 2018
Cash	$ 1,377	$ 1,206
Trade and other receivables	12,142	8,405
Inventories	2,353	1,403
Other current assets	138	429
Total current assets	$ 16,010	$ 11,443
Non-current assets	17,777	17,545
Total assets	$ 33,787	$ 28,988
Current liabilities	$ 10,397	$ 5,070
Non-current liabilities	–	–
Total liabilities	$ 10,397	$ 5,070

	Nine Months Ending	
	September 28, 2019	September 29, 2018
Revenue	$ 41,937	$ 25,590
Income for the period	$ 157	$ 751

The income for the nine months ended September 28, 2019 includes depreciation and amortization expense of $1,750,000 (2018 – $1,568,000), interest income of $15,000 (2018 – $84,000) and an income tax expense of $85,000 (2018 – $7,000) related to Corefficient.

6. Intangible assets

The Group had acquisitions of intangible assets for the nine months ended September 28, 2019 in the amount of $2,000 (2018 – $446,000), for the addition of software. None of the intangible assets have been developed internally.

Nine months ended September 28, 2019 and September 29, 2018 (amounts in thousands of dollars except share and per share amounts)

7. Lease liabilities

Maturity anlaysis – contractual undiscounted cash flows

		September 28, 2019
Less than one year	$	2,411
One to five years		7,731
More than five years		847
Total undiscounted lease liablitities as of September 28, 2019	$	10,989

Lease liabilities included in the statement of financial position at September 28, 2019	$	9,755
Current	$	2,169
Non-current	$	7,586

Amounts recognized in statement of operations		Nine months ended September 28, 2019
Interest on lease liabilities	$	228

Amounts recognized in statement of cash flows		Nine months ended September 28, 2019
Payment of lease liabilities	$	1,536

8. Share capital

(a) Share capital:

During the nine months ended September 28, 2019, the Company purchased and cancelled 40,800 Class A shares under a normal course issuer bid at a cost of $316,000 of which $65,000, $12,000, $239,000 was applied against share capital, contributed surplus and retained earning respectively.

(b) Dividends:

The following dividends were declared and paid by the Company:

	Nine Months Ending			
	September 28, 2019		September 29, 2018	
21 cents per Class A common share (2018: 18 cents)	$	1,881	$	1,611
21 cents per Class B common share (2018: 18 cents)		583		501
	$	2,464	$	2,112

(c) Stock option plan:

During the nine months ended September 28, 2019, there were 40,000 options exercised, 20,000 at an exercise price of $6.20 and 20,000 at an exercise price of $6.62.

During the nine months ended September 29, 2018, there were 30,000 options exercised, 10,000 at an exercise price of $6.20, 5,000 at an exercise price of $6.62 and 15,000 at an exercise price of $7.50.

Nine months ended September 28, 2019 and September 29, 2018 (amounts in thousands of dollars except share and per share amounts)

(d) Deferred Stock 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 nine months ended September 28, 2019 was as follows:

	Number of DSUs	Closing Share Price
Balance at January 1, 2019	69,151	$ 5.70
DSUs issued	55,447	8.03
DSUs exercised	(9,027)	7.65
Balance at September 28, 2019	115,571	$ 8.24

An expense of $262,000 (2018 – $304,000) for the nine months ended September 28, 2019 was recorded in general and administrative expenses. The liability of $829,000 (December 31, 2018 – $394,000) related to these DSUs is included in accounts payable and accrued liabilities.

9. Accumulated Other Comprehensive Income

Changes to the accumulated other comprehensive income ("AOCI") balance include foreign currency translation differences relating to the net assets of foreign operations which have been determined to have functional currencies under IFRS that are their respective domestic currencies. Total other comprehensive loss for the nine months ended September 28, 2019 was $2,288,000 (2018 – income of $4,190,000), of which $1,945,000 (2018 – $3,845,000) relates to the translation of wholly-owned subsidiaries, resulting in an ending balance of accumulated other comprehensive income of $10,452,000 (September 29, 2018 – $6,115,000).

10. Non-controlling interest

On January 10, 2018, the terms and conditions under an agreement to acquire the remaining 15% economic interest of Hammond Power Solutions Private Limited from a minority shareholder, which included the mutually agreed upon resignation from the Board of the minority shareholder, at a discounted amount of 76,933,000 INR (approximately $1,511,000 Canadian dollars) were fulfilled, resulting in the Company's equity ownership in Hammond Power Solutions Private Limited becoming 100%. As a result, the Company recorded an elimination of non-controlling interests on the condensed consolidated statement of financial position in the amount of $163,000, a reduction in retained earnings of $1,357,000 and an increase in accumulated other comprehensive income in the amount of $9,000.

11. Sales

	Three Months Ending		Nine Months Ending	
	September 28, 2019	September 29, 2018	**September 28, 2019**	September 29, 2018
Canada	$ 31,491	$ 23,806	$ 87,015	$ 67,118
United States and Mexico	54,269	51,592	167,709	144,446
India	5,742	6,155	13,405	15,804
	$ 91,502	$ 81,553	$ 268,129	$ 227,368
Italy	–	1,600	281	6,251
	$ 91,502	$ 83,153	$ 268,410	$ 233,619

As at September 28, 2019, the Company has deferred revenue of $195,000 (December 31, 2018 – $280,000).

Nine months ended September 28, 2019 and September 29, 2018 (amounts in thousands of dollars except share and per share amounts)

12. Discontinued operations

In December 2018, the Company decided to close the Italian operations due to low sales volume and a weak economy. The Italian operation was not previously classified as a discontinued operation. The comparative consolidated statements of operations and comprehensive loss have been represented to show the discontinued operation separately from continuing operations.

	Nine Months Ending	
	September 28, 2019	September 29, 2018
Revenue	**$ 297**	$ 6,251
Cost of sales	**691**	6,183
Gross margin (loss)	**(394)**	68
Selling and distribution	**143**	786
General and admistrative	**332**	1,945
Restructuring	**–**	560
Loss from operations	**(869)**	(3,223)
Interest expense	**190**	412
Loss from discontinued operations before tax	**(1,059)**	(3,635)
Income tax	**–**	–
Loss from discontinued operations, net of tax	**$ (1,059)**	$ (3,635)
Earnings per share		
Basic loss per share from discontinued operations	**$ (0.09)**	$ (0.30)
Diluted loss per share from discontinued operations	**$ (0.09)**	$ (0.30)

	Nine Months Ending	
	September 28, 2019	September 29, 2018
Net cash (used in) generated by operating activites	**$ (4,078)**	$ 1,400
Net cash used in investing activites	**–**	(62)
Cash used in financing activites	**(190)**	(412)
Add: Intercompnay transfer of cash	**3,965**	–
Net cash generated by (used in) financing activites	**3,775**	(412)
Net cash (used) generated in the period	**$ (303)**	$ 926

Nine months ended September 28, 2019 and September 29, 2018 (amounts in thousands of dollars except share and per share amounts)

13. Restructuring charges

During the year ended December 31, 2018, the Company decided to cease operating and close the Italian operations as the entity struggled to generate adequate sales and profits. The restructuring charges were comprised of severance and benefit costs related to workforce reductions, closure and cancellation costs and are included in provisions. The restructuring activities were undertaken to adjust the Company's cost structure and streamline various support activities in consideration of the current and expected industry market conditions. These charges are reported in the discontinued operations within the consolidated statements of operations.

The following table highlights the activity and balance of the restructuring charges for the nine month period ending September 28, 2019:

		Restructuring Charges
Opening balance January 1, 2019	$	6,232
Cash payments		(4,465)
Non-cash adjustments		319
Accrued balance at September 28, 2019	$	2,086

During 2017, the Company recognized a restructuring provision comprised of severance and benefit costs relating to workforce reductions. The restructuring activities were undertaken to adjust the Company's cost structure, to streamline various support activities in consideration of the current and expected industry market conditions.

The following table highlights the activity and balance of the restructuring charges for the nine month period ending September 29, 2018:

		Employee Termination Benefits
Opening balance January 1, 2018	$	329
Cash payments		(329)
Accrued balance at September 29, 2018	$	–

14. Related party transactions

Related parties

Arathorn Investments Inc. beneficially owns 2,778,300 (2018 – 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 1,062,202 (2018 – 1,058,998) Class A subordinate voting shares of the Company, representing approximately 11.9% (2018 – 11.8%) of the issued and outstanding Class A subordinate voting shares of the Company and as a result controls the Company. William G. Hammond, Chief Executive Officer and Chairman of the Company, 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 $269,000 (Quarter 3 2018 – $230,000).

Transactions with key management personnel

During the nine months ended September 28, 2019, the Company purchased $249,000 (2018 – $226,000) of inventory from ILSCO of Canada Limited ("ILSCO"), a company in which HPS director David J. FitzGibbon serves as a Vice Chairman. The Company purchases a component part from ILSCO, which is utilized in the manufacture of transformers. The purchases were measured at the exchange amount. Accounts payable and accrued liabilities include $44,000 (2018 – $32,000), which is owed to this company.

Nine months ended September 28, 2019 and September 29, 2018 (amounts in thousands of dollars except share and per share amounts)

15. Change in non-cash operating working capital

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

	Nine Months Ending			
	September 28, 2019		September 29, 2018	
Accounts receivable	$	(3,656)	$	(4,920)
Inventories		(4,310)		(8,757)
Prepaid expenses		362		1,134
Accounts payable and accrued liabilities		(2,927)		2,559
Provisions		(3,108)		–
Foreign exchange		(661)		4,442
	$	(14,300)	$	(5,542)

16. Subsequent event

Sale and purchase agreement of business – Marnate, VA Italy

On October 8, 2019, the Company signed a sale and purchase agreement of business of its Marnate, Italy operation to a third party. The agreement includes the sale of the machinery and equipment, furniture and fixtures, computer equipment, inventory, the Marnate trademark, employment contracts of the employees and statutory employee liabilities. The transaction value will be approximately $1,500 and is expected to close mid Quarter 4, 2019.

Canada
Hammond Power Solutions Inc.

Corporate Head Office
595 Southgate Drive
Guelph, Ontario N1G 3W6

15 Industrial Road
Walkerton, Ontario N0G 2V0

10 Tawse Place
Guelph, Ontario N1H 6H9

Delta Transformers Inc.

795 Industriel Boul.
Granby, Quebec J2G 9A1

3850 place de Java
Suite 200
Brossard, Québec J4Y 0C4

India
Hammond Power Solutions Private Limited

2nd Floor
Icon Plaza, H. No. 5-2/222/IP/B
Allwyn X-Roads
Miyapur, Hyderabad – 500049

Italy
Hammond Power Solutions S.p.A.

Via A. Gramsci, 98
21050 Marnate (VA), Italy

Mexico
Hammond Power Solutions S.A. de C.V.

Ave. Avante #810
Parque Industrial Guadalupe
Guadalupe, Nuevo Leon, C.P. 67190
Monterrey, Mexico

Ave. Avante #900
Parque Industrial Guadalupe
Guadalupe, Nuevo Leon, C.P. 67190
Monterrey, Mexico

Mexico
Corefficient, S. de R.L. de C.V.

Ave. Avante #840
Parque Industrial Guadalupe
Guadalupe, Nuevo León, México
C.P. 67190

United States
Hammond Power Solutions, Inc.

1100 Lake Street
Baraboo, Wisconsin 53913

17715 Susana Road
Compton, California 90224

Corporate Officers and Directors

William G. Hammond *
Chairman of the Board and
Chief Executive Officer

Chris R. Huether
Corporate Secretary and
Chief Financial Officer

Donald H. MacAdam *+
Director

Grant C. Robinson *+
Director

David J. FitzGibbon *+
Director

Dahra Granovsky *+
Director

Fred M. Jaques *+
Director

Richard S. Waterman *+
Director

* Corporate Governance Committee
\+ Audit and Compensation Committee

Stock Exchange Listing

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

Registrar and Transfer Agent

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

Auditors

KPMG LLP
115 King Street South
Waterloo, Ontario N2J 5A3

Legal Representation

Cassels, Brock and Blackwell LLP
40 King Street West, Suite 2100,
Toronto, Ontario M5H 3C2

Banking Institution

JP Morgan Chase
Bank N.A. 66 Wellington Street West,
Suite 4500
Toronto, Ontario M5K 1E7

Investor Relations

Contact: Dawn Henderson,
Manager Investor Relations
Phone: 519.822.2441
Email: ir@hammondpowersolutions.com

The Hammond Museum of Radio is one of North America's premiere wireless museums. It is home to thousands of receivers and transmitters dating back to the turn of the century. The museum is open regular business hours Monday to Friday; evenings and weekends by special appointment.

Tours can be arranged by calling:
519-822-2441 x590

Hammond Power Solutions Inc.

THE JOURNEY IS NEVER ENDING