Hammond Power Solutions Inc.

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QUARTER 3, 2016 FINANCIAL RESULTS

Challenging Quarter with Expectation of Fourth Quarter Rebound

(Dollar amounts are in thousands unless otherwise specified)

Guelph, Ontario, October 27, 2016 – Hammond Power Solutions Inc. ("HPS") (TSX: HPS.A) a leading manufacturer of dry-type and cast resin transformers and related magnetics, today announced its financial results for the third quarter of 2016.

THIRD QUARTER RESULTS

Sales for the quarter-ended October 1, 2016 were $62,860, a decrease of $2,518 or 3.9% from Quarter 3, 2015 sales of $65,378. Year-to-date 2016 sales increased $6,821 or 3.5% and were $200,720 compared to $193,899 in 2015. Sales in the United States ("U.S.") decreased by $2,264 or 5.9%, finishing at $36,350 for Quarter 3, 2016 compared to $38,614 in Quarter 3, 2015. Year-to-date U.S. sales were $114,207 in 2016 and $115,046 in 2015, a slight decrease of $839 or 0.7%. Canadian sales were $19,177 for the quarter, a decrease of $498 or 2.5% from Quarter 3, 2015 sales of $19,675. Year-to-date Canadian sales were $59,598 in 2016 compared to $55,519 in 2015, an increase of $4,079 or 7.3%. International sales for Quarter 3, 2016 finished at $7,333 versus $7,089 in Quarter 3, 2015, an increase of $244 or 3.4%. Year-to-date international sales were $26,915 in 2016 compared to $23,334 in 2015, an increase of $3,581 or 15.3%.

The Company increased bookings 1.3% over Quarter 3, 2015 and 4.2% over Quarter 2, 2016 due to a lift in project bookings in the direct channel in North America. Backlog increased 8.9% over Quarter 2, 2016 and 25.3% over Quarter 4, 2015. The quarter change was primarily due to significant project bookings in the United States.

Gross margin rates for Quarter 3, 2016 were 22.7% compared to Quarter 3, 2015 margin rate of 23.8%, a decline of 1.1% of sales. Year-to-date, the gross margin rate was 23.8% in 2016 versus 23.4% in 2015, an improvement of 0.4%. The improvement in year-to-date margin rates can be attributed to a combination of pricing gains, cost reductions, product and customer mix, and geographic blend, as well as a moderate lift in manufacturing throughput due to the increased sales levels.

Bill Hammond commented, "Despite these fluctuating times HPS sales have grown 3.5% this year while many companies in the electrical industry are experiencing significant declines. We have also been very successful at protecting our margin rates."

Total selling and distribution expenses were $7,131 in Quarter 3, 2016 or 11.3% of sales versus $7,286 in Quarter 3, 2015 or 11.1% of sales, a decrease of $155 or 0.2% of sales. Year-to-date selling and distribution expenses were $22,669 or 11.3% of sales in 2016 compared to $21,108 or 10.9% in 2015, an increase of $1,561 or 0.4% of sales.

General and administrative expenses for Quarter 3, 2016 totaled $6,145 or 9.8% of sales, compared to Quarter 3, 2015 expenses of $5,794 or 8.9% of sales, an increase of $351 and 0.9% of sales. Year-to-date general and administrative expenses were $18,839 or 9.4% of sales in 2016, compared to $17,661 or 9.1% of sales in 2015, an increase of $1,178 or 0.3% of sales.

Quarter 3, 2016 earnings from operations were $1,003, a decrease of $1,472 or 59.5% from $2,475 for the same quarter last year. The year-to-date earnings from operations were $6,240 in 2016 compared to $6,544 in 2015, a decrease of $304 or 4.6%.

Interest expense for Quarter 3, 2016 was $347, an increase of $51 or 17.2% compared to the Quarter 3, 2015 expense of $296. Year-to-date interest cost was $874, an increase of $198 or 29.3% when compared to the 2015 year-to-date expense of $676. Interest expense in 2016 was being generated as a result of higher operating debt levels due to joint venture investment and working capital requirements.

The foreign exchange gain in Quarter 3, 2016 was $139 compared to a foreign exchange gain of $69 in Quarter 3, 2015. The year-to-date foreign exchange loss for 2016 was $201, compared to a loss of $117 for the same period last year.

Net earnings for Quarter 3, 2016 finished at $99 compared to net earnings of $1,092 in Quarter 3, 2015, a decrease of $993 or 90.9%. This decline in the quarter earnings is a result of higher loss on investment in the joint venture, additional interest, decreased sales dollars and lower gross margin Year-to-date net earnings were $1,500 in 2016 compared to $2,969 in 2015, a decrease of $1,469 or 49.5%.

Net cash provided by operating activities for Quarter 3, 2016 was $6,282 versus $6,077 in Quarter 3, 2015, an increase of $205. Year-to-date net cash used in operating activities was $2,039 compared to $6,958 cash generated by operating activities in 2015, a decrease of $8,997.

The Company's overall operating debt balance net of cash was $22,735 in Quarter 3, 2016 compared to $14,727 in Quarter 3, 2015, an increase in debt position of $8,008 primarily reflecting funding of the joint venture, the purchase of an additional 15% equity ownership in PETE-Hammond and working capital requirements.

The Company continued with its regular quarterly dividend program, paying six cents ($0.06) per Class A Subordinate Voting Share of HPS and six cents ($0.06) per Class B Common Share of HPS on September 30, 2016.

Mr. Hammond concluded, "We are engaged in a number of projects to expand our bookings and sales over the next quarter, while constantly working on a range of cost reductions to help improve our margins in this very competitive environment. These are indeed volatile times where we must be mindful of both the opportunities and risks that are in front of us and remain ready to respond to unexpected changes in our environment."

FINANCIAL RESULTS

THREE MONTHS ENDED: (dollars in thousands)

	October 1, 2016	September 26, 2015	Change
Sales	$ 62,860	$ 65,378	$ (2,518)
Earnings from Operations	$ 1,003	$ 2,475	$ (1,472)
Exchange Gain	$ 139	$ 69	$ 70
Net Earnings	$ 99	$ 1,092	$ (993)
Earnings per share Basic Diluted	$ 0.01 $ 0.01	$ 0.10 $ 0.10	$ (0.09) $ (0.09)
Cash provided by operations	$ 6,282	$ 6,077	$ 205

NINE MONTHS ENDED:

	October 1, 2016	September 26, 2015	Change
Sales	$ 200,720	$ 193,899	$ 6,821
Earnings from Operations	$ 6,240	$ 6,544	$ (304)
Exchange Loss	$ 201	$ 117	$ 84
Net Earnings	$ 1,500	$ 2,969	$ (1,469)
Earnings per share Basic Diluted	$ 0.13 $ 0.13	$ 0.25 $ 0.25	$ (0.12) $ (0.12)
Cash (used in) provided by operations	$ (2,039)	$ 6,958	$ (8,997)

Caution Regarding Forward-Looking Information

This press release 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.

ABOUT HAMMOND POWER SOLUTIONS INC.

Hammond Power Solutions Inc. (TSX: HPS.A) is a North American leader for the design and manufacture of dry-type custom electrical engineered magnetics, electrical dry-type and cast resin transformers. Leading edge engineering capabilities, high quality products, and responsive service to customers' needs have all served to establish HPS as a technical and innovative leader in the electrical and electronic industries.

HPS has operations in Canada, the United States, Mexico, India and Italy.

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