

Hammond Power Solutions Inc.**QUARTER 4, 2017 FINANCIAL RESULTS**

(Dollar amounts are in thousands unless otherwise specified)

SOLID RESULTS

- Surpassed \$300 million in annual sales
- Continued sales growth
- Surging booking and backlog levels
- Adjusted earnings per share of \$0.19 for Quarter 4, 2017 and \$0.67 for the year

Guelph, Ontario, March 8, 2018 – 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 Fourth Quarter of 2017.

FOURTH QUARTER RESULTS

Sales for the quarter ended December 31, 2017 were \$75,829, an increase of \$1,756 or 2.4% from the comparative quarter last year, which is reflective of increased market activity. Year-to-date sales in 2017 were \$301,750 as compared to sales of \$274,793 in 2016, a significant increase of \$26,957 or 9.8%. U.S. sales decreased \$738 or 1.6% and were \$45,037 for Quarter 4, 2017 compared to \$45,775 in Quarter 4, 2016. Year-to-date U.S. sales were \$174,479, an increase of \$14,497, or 9.1%, compared to 2016 sales of \$159,982. Canadian sales were \$22,352 for the quarter, an increase of \$4,239 or 23.4% from Quarter 4, 2016 sales of \$18,113. Year-to-date Canadian sales were \$84,325, an increase of \$6,614 or 8.5% as compared to sales of \$77,711 in 2016. International sales decreased in Quarter 4, 2017 finishing at \$8,440 versus \$10,185 in Quarter 4, 2016, a decrease of \$1,745 or 17.1%. On a year-to-date basis, International sales increased \$5,846 or 15.8%, finishing at \$42,946 for the year versus sales of \$37,100 in 2016.

Bookings in the quarter remain strong. The Company's Quarter 4, 2017 bookings increased by 13.5% over Quarter 4, 2016. During the quarter, direct sales bookings decreased 1.8%, while distributor channel bookings increased significantly by 34.2%. Overall, 2017 bookings increased by 8.4% over the prior year. In 2017, direct sales bookings increased by 8.0% and bookings in the distributor channel increased by 9.0%.

The Company achieved an increased gross margin rate of 24.7% in 2017 versus 24.3% in 2016, an improvement of 0.4% of sales. The lift in margin rate can be attributed to a combination of pricing gains, product and customer mix, geographic blend, cost reductions and higher manufacturing throughput. Gross margin rates decreased to 25.3% in Quarter 4, 2017 versus 25.9% in Quarter 4, 2016 as a result of sales mix.

"Our sales grew by 12%, in U.S. dollars, in the United States compared to 2016 and by 9% in Canada. Gross margins in both countries also improved, driven by product redesigns and manufacturing cost reductions" Bill Hammond commented.

Total selling and distribution expenses amounted to \$9,050 in Quarter 4, 2017 versus \$7,217 in Quarter 4, 2016, an increase of \$1,833 or 25.4%. Year to date selling and distribution expenses were \$34,120 for 2017 versus \$29,886 in 2016, an increase of \$4,234 or 14.2%. Total selling and distribution expenses as a percentage of sales increased slightly to 11.3% of sales in 2017 from 10.9% in 2016, resulting from sales volume related expenses; namely freight expense and commissions.

The general and administrative expenses for Quarter 4, 2017 totaled \$5,793, a slight decrease of \$102 or 1.7% when compared to Quarter 4, 2016 costs of \$5,895 and \$24,428 compared to \$24,734 for 2016, a decrease of \$306 or 1.2%. On a percentage-of-sales basis these costs decreased from 9.0% in 2016 to 8.1% in 2017.

During the quarter, the Company restructured its Italian operations to advance its financial performance, through the sale of the Vacuum Pressure Impregnated (VPI) transformer product line which reduced excess capacity and workforce costs. This resulted in a restructuring charge in the quarter of \$570. In addition, HPS sold the property, plant and equipment, intangibles and inventory of the VPI product line of the Italian operations, resulting in the recognition of a loss on disposal of \$1,022.

Earnings from operations were \$14,470 in 2017, as compared to \$10,873 in 2016, an increase of \$3,597 or 33.1%. Quarter 4, 2017 earnings from operations decreased \$859 from \$4,633 in Quarter 4, 2016 to \$3,774 in Quarter 4, 2017. The change in earnings from operations is a result of the increase in sales and gross margin contribution offset by an increase in selling expenses and restructuring charges.

The interest expense for Quarter 4, 2017 finished at \$331, an increase of \$138 compared to Quarter 4, 2016 expense of \$193. The interest expense for the year-ended December 31, 2017, finished at \$1,263 as compared to \$1,067 in 2016, an increase of \$196 or 18.4%.

The foreign exchange gain in Quarter 4, 2017 was \$85 compared to a foreign exchange loss of \$643 in Quarter 4, 2016. The foreign exchange gain in 2017 of \$137 related primarily to the transactional exchange gain pertaining to the Company's U.S. dollar trade accounts payable in Canada, compared to a foreign exchange loss of \$844 in 2016.

Net earnings for Quarter 4, 2017 were \$625 compared to \$293 in Quarter 4, 2016, an increase of \$332 or 113.3%. Net earnings for 2017 finished at \$6,114 compared to net earnings of \$1,793 in 2016, an increase of \$4,321, or 241.0%. The improvement in earnings is a result of higher sales, sales mix, improved gross margin rate, positive foreign exchange movements and decreased losses on investment in the joint venture. This was partially offset by the loss on the disposal of the VPI product line and the impairment of goodwill charge.

HPS' Quarter 4, 2017 basic earnings per share ("EPS") was \$0.05 compared to \$0.03 for Quarter 4, 2016. Year-to-date EPS was \$0.53 in 2017, an increase of \$0.37 from \$0.16 in 2016. Adjusting for Italy reorganizing and restructuring expenses, Quarter 4, 2017 adjusted EPS would have been \$0.19 and year-to-date EPS would have been \$0.67.

Net cash generated in operations for Quarter 4, 2017 was \$421 versus \$17,255 in Quarter 4, 2016, a decrease of \$16,834. Cash provided from operating activities during 2017 was \$1,032 versus \$15,216 in 2016, a decrease in cash generated from operations of \$14,184. This

decrease in cash generated from operating activities is due to increased working capital usage partially offset by higher net earnings.

Overall bank lines of credit, net of cash, resulted in net debt of \$16,983 as at December 31 2017, an increase of \$5,665 as compared to a net debt balance of \$11,318 as at December 31, 2016.

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 December 15, 2017.

Mr. Hammond concluded, "Our leading North American market presence supported by our global expansion initiatives will put us in a stronger position in the coming years. While working hard at growing our sales and profits we will continue to focus on controlling our costs and maintaining our financial stability. We believe that delivering shareholder value means managing not only for short term performance but also for the long term health of our Company."

FINANCIAL RESULTS

THREE MONTHS ENDED:

(dollars in thousands)

	December 31, 2017	December 31, 2016	Change
Sales	\$ 75,829	\$ 74,073	\$ 1,756
Impairment of Goodwill	\$ -	\$ 1,417	\$ (1,417)
Restructuring Charges	\$ 570	\$ -	\$ 570
Earnings from Operations	\$ 3,774	\$ 4,633	\$ (859)
Exchange (Gain) Loss	\$ (85)	\$ 643	\$ (728)
Loss on Disposition	\$ 1,022	\$ -	\$ 1,022
Net Earnings	\$ 625	\$ 293	\$ 332
Earnings per share			
Basic	\$ 0.05	\$ 0.03	\$ 0.02
Diluted	\$ 0.04	\$ 0.03	\$ 0.01
Cash generated by operations	\$ 421	\$ 17,255	\$ (16,834)

TWELVE MONTHS ENDED:

(dollars in thousands)

	December 31, 2017	December 31, 2016	Change
Sales	\$ 301,750	\$ 274,793	\$ 26,957
Impairment of Goodwill	\$ -	\$ 1,417	\$ (1,417)
Restructuring Charges	\$ 1,386	\$ -	\$ 1,386
Earnings from Operations	\$ 14,470	\$ 10,873	\$ 3,597
Exchange (Gain) Loss	\$ (137)	\$ 844	\$ (981)
Loss on Disposition	\$ 1,022	\$ -	\$ 1,022
Net Earnings	\$ 6,114	\$ 1,793	\$ 4,321
Earnings per share			
Basic	\$ 0.53	\$ 0.16	\$ 0.37
Diluted	\$ 0.52	\$ 0.16	\$ 0.36
Cash generated by operations	\$ 1,032	\$ 15,216	\$ (14,184)

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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