



Q3 Report 2025

For the nine months ended September 27, 2025

hammond
POWER SOLUTIONS



1 SHAREHOLDERS MESSAGE

2 MANAGEMENT'S DISCUSSION & ANALYSIS

22 FINANCIAL STATEMENTS

28 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

36 COMPANY INFORMATION

To our **SHAREHOLDERS**

I am pleased to report that HPS had another strong performance in Q3 2025. We recorded \$218 million in quarterly revenue, marking our second-best ever quarter for shipments. The U.S. market showed solid growth in both distribution and private label sales, which offset weaker results in Canada. For several quarters now, we've seen high levels of quotation activity that has driven a 28% increase in order bookings compared to the end of 2024. Data centre demand has been gaining momentum since early 2024, and again, picked up speed during this period. Notably, shortly after the quarter ended, we received significant new purchase orders. These orders amounted to approximately 53% of the closing third quarter backlog. This extra volume is scheduled for shipment in 2026 and will mostly come from our newly established facilities in Mexico. Profitability for the third quarter remained below the prior year results, with a gross margin of 30.1%, mainly due to ongoing material cost pressures and overhead expenses associated with our new facilities. In September, we announced that changes to steel and aluminum derivative tariffs have affected certain products. Although we worked closely with customers and suppliers to address and mitigate these increased costs, our margins experienced short-term impacts. We quickly adjusted our pricing in response to these new challenges, and we expect

margin improvement in the fourth quarter as these adjustments take full effect.

HPS has achieved remarkable growth through expanding sales, growing its distributor network, innovating products and delivering quality. Shareholders have seen consistent earnings per share, robust cash flow and regular dividend increases. These achievements have led us to be recognized by the TSX and included in their TSX30 ranking for a second year in a row. The TSX30 award recognizes companies with top dividend-adjusted share price performance on the Toronto Stock Exchange over three years ending June 30, 2025.

As we look forward, we continue to grow our business both organically and by expanding our portfolio. We continue to actively explore new development and acquisition opportunities to enhance our offerings and drive continued growth.

Thank you for your continued support.



ADRIAN THOMAS
CHIEF EXECUTIVE OFFICER

Management's Discussion AND ANALYSIS

Our **VISION**

To be a transformative force
that electrifies the world.

Our **MISSION**

We simplify electrification
by shaping power solutions
with our customers.

Hammond Power Solutions Inc. ("HPS" or the "Company") enables electrification through its broad range of dry-type transformers, power quality products and related magnetics. HPS' standard and custom-designed products are essential and ubiquitous in electrical distribution networks through an extensive range of end-user applications. The Company has manufacturing plants in Canada, the United States ("U.S."), Mexico and India and sells its products around the globe. HPS shares are listed on the Toronto Stock Exchange and trade under the symbol HPS.A.

Hammond Power Solutions – Energizing our world

The following is Management's Discussion and Analysis ("MD&A") of the Company's consolidated financial position at September 27, 2025 and December 31, 2024 and financial performance for the three and nine months ended September 27, 2025, and September 28, 2024, and should be read in conjunction with the accompanying unaudited Condensed Interim Consolidated Financial Statements of the Company for the third quarter of fiscal 2025. This information is based on Management's knowledge as at October 23, 2025. 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 2024 Annual Report and accordingly, the purpose of this document is to provide a third quarter update to the information contained in

the fiscal 2024 MD&A. All amounts in this report are expressed in thousands of Canadian dollars unless otherwise noted. Additional information relating to the Company may be found on SEDAR's website at www.sedarplus.ca, or on the Company's website at www.hammondpowersolutions.com.

Caution regarding forward-looking information

This MD&A contains forward-looking statements that involve a number of risks and uncertainties, including statements that relate to, among other things, Hammond Power Solutions Inc.'s (the "Corporation" or "HPS") strategies, intentions, plans, beliefs, expectations and estimates, in connection with general economic and business outlook, prospects and trends of the industry, expected demand for products and services, product

development and the Corporation's competitive position. Forward-looking statements can generally be identified by the use of words such as "may", "will", "could", "should", "would", "likely", "expect", "intend", "estimate", "anticipate", "believe", "plan", "objective" and "continue" and words and expressions of similar import. Although the Corporation 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 risks related to foreign currency fluctuations and changing interest rates); risks associated with the Corporation's business environment (such as risks associated with the financial condition of the oil and gas, mining and infrastructure project business); geopolitical risks; climate related risks; changes in laws and regulations; operational risks (such as risks related to existing and developing new products and services; doing business with partners and suppliers; product sales and performance; legal and regulatory proceedings; dependence on certain customers and suppliers; costs associated with raw materials, products and services; human resources; and the ability to execute strategic plans). The Corporation does not undertake any obligation to update publicly or to revise any of the forward-looking statements contained in this document, whether as a result of new information, future events or otherwise, except as required by law.

This forward-looking information represents our views as of the date of this MD&A and such information should not be relied upon as representing our views as

of any date subsequent to the date of this MD&A. We have attempted to identify important factors that could cause actual results, performance or achievements to vary from those current expectations or estimated, expressed or implied by the forward-looking information. However, there may be other factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations.

There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.

Additional GAAP and Non-GAAP measures

This document uses the terms "earnings from operations" which represents earnings before finance and other costs/(income) and income taxes. "EBITDA" is also used and is defined as earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA represents EBITDA adjusted for foreign exchange gain or loss and share-based compensation. In 2025 adjusted earnings per share ("EPS") has been disclosed which represents EPS adjusted for foreign exchange gain or loss and share-based compensation. Comparative figures have also been presented. Net cash or net indebtedness is defined as the bank operating lines of credit net of cash and cash equivalents. Net income taxes payable or receivable is defined as current income taxes receivable less current income taxes payable. Operating earnings, EBITDA, adjusted EBITDA and adjusted EPS are some of the measures the Company uses to evaluate operational profitability. Net cash or net indebtedness and net income taxes payable or receivable are measures the Company uses to evaluate balance sheet strength. The Company

MANAGEMENT'S DISCUSSION AND ANALYSIS

presents EBITDA to show its performance before interest, taxes, and depreciation and amortization. The Company presents EPS to measure the company's profitability on a per share basis. Management believes that HPS shareholders and potential investors in HPS use additional GAAP and non-GAAP financial measures, such as operating earnings, net cash or net indebtedness, net income taxes payable/receivable, EBITDA, adjusted EBITDA and adjusted EPS in making investment decisions about the Company and to measure its operational results. A reconciliation of earnings from operations, EBITDA, adjusted EBITDA and adjusted EPS to net earnings for the quarters ending September 27, 2025, and September 28, 2024, is contained within this MD&A. Earnings from operations, EBITDA and adjusted EBITDA should not be construed as a substitute for net earnings determined in accordance with IFRS Accounting Standards.

"Order bookings" represent confirmed purchase orders for goods or services received from our customers. "Backlog" represents all unshipped customer orders. Customer orders in Order bookings and Backlog may not have confirmed ship dates, as the customer may not know the date at which it would like to take delivery at the time of placing the order. A significant percentage of Order bookings could be cancelled by customers without penalty, depending on the terms of the agreement between HPS and the customer. These metrics are provided to give additional insight into our business activity but should not be considered as indicators of future revenues, earnings or cash flows. "Book value per share" is the total shareholders' equity divided by the average outstanding shares. The terms "earnings from operations", "EBITDA", "adjusted EBITDA", "adjusted EPS", "order bookings", "backlog" and "book value per share" do not have any standardized meaning prescribed within IFRS and therefore may not be comparable to similar measures presented by other companies.

The Company's Quarter 3, 2025 consolidated financial statements, which comprise the consolidated statements of financial position as at September 27, 2025, and December 31, 2024, the consolidated statements of operations, comprehensive income, changes in equity and cash flows for the three and nine months ended September 27, 2025, and September 28, 2024, and Notes thereto, have been prepared under IAS 34, Interim Financial Reporting.

Sales

Geography	Q3, 2025	Q3, 2024	\$ Change	% Change	YTD 2025	YTD 2024	\$ Change	% Change
U.S. & Mexico*	\$ 158,015	\$ 130,086	\$ 27,929	21.5%	\$ 456,502	\$ 393,994	\$ 62,508	15.9%
Canada	51,395	52,916	(1,521)	(2.9%)	161,607	157,070	4,537	2.9%
India	8,931	8,970	(39)	(0.4%)	26,054	28,800	(2,746)	(9.5%)
Total	\$ 218,341	\$ 191,972	\$ 26,369	13.7%	\$ 644,163	\$ 579,864	\$ 64,299	11.1%

* When stated in U.S. dollars, U.S. and Mexico Quarter 3 sales have increased from \$95,292 in 2024 to \$114,836 in 2025, an increase of \$19,544 or 20.5%. Year-to-date, when stated in U.S. dollars, sales have increased from \$289,663 in 2024 to \$326,565 in 2025, an increase of \$36,902 or 12.7%.

Quarterly U.S. and Mexico sales were favourably impacted by a 0.8% stronger U.S. dollar ("USD"), \$1.00 USD = \$1.376 Canadian dollar ("CAD") compared against \$1.00 USD = \$1.365 CAD in Quarter 3, 2024. Year-to-date sales were favourably affected by a 2.9% stronger U.S. dollar, \$1.00 USD = \$1.400 Canadian dollar compared against \$1.00 USD = \$1.360 CAD in Quarter 3, 2024.

Year-over-year, the U.S. market grew by 15.9%. In the third quarter of 2025, the U.S. market grew by 21.5% versus the same quarter of 2024. The U.S. market experienced its strongest growth in the private label channel and steady

growth in the distribution channel, with strong sales into data centres, switchgear manufacturers, motor control and mining. While sales of stocked standard products have grown, they have been outpaced by higher sales of custom products, primarily sold into the data centre market.

The Canadian market, while higher by 2.9% on a year-to-date basis, is lower in the third quarter of 2025 by 2.9% versus the same quarter in 2024. This is representative of a general weakening of the Canadian economy.

Indian sales in the third quarter showed little change versus the third quarter of 2024. Year-to-date sales were lower than 2024 by 9.5%. The decline is the result of some project delays and increased price competitiveness in the Indian market. The Company has focused on maintaining and increasing margins through greater project selectivity.

The Micron Group, LLC ("Micron") acquisition accounts for 3.4% increase in the quarter and 3.3% increase year-to-date.

Quarter 3, 2025 sales stated by geographic segment were derived from U.S. sales of 72.4% (Quarter 3, 2024 – 67.7%) of total sales, Canadian sales of 23.5% (Quarter 3, 2024 – 27.6%) and Indian sales of 4.1% (Quarter 3, 2024 – 4.7%). Year-to-date sales by geographic segment were U.S. sales of 70.9% (2024 – 67.9%) of total sales, Canadian sales of 25.1% (2024 – 27.1%) and Indian sales of 4.0% (2024 – 5.0%).

In total, sales are 13.7% higher than in Quarter 3, 2024 and year-to-date 11.1% higher than the first nine months of 2024. There was a price increase at the beginning of the second quarter, 2025, and an additional increase at the end of the third quarter, 2025 resulting in 3.4% increase in the quarter and 2.0% year-to-date. The August 2025 price increase was in effect for approximately two weeks in the third quarter and is expected to have a greater impact in the fourth quarter of 2025.

Backlog

The Company's Quarter 3, 2025 backlog increased by 22.4% as compared to Quarter 3, 2024. The Company's backlog increased 27.7% from the beginning of the year. Our ongoing capacity expansions across key locations are driving improvements in lead times, enhancing our ability to respond to customer demand with greater speed and efficiency.

Subsequent to quarter-end multiple large orders were placed valued at 53% of the closing backlog. Majority of these orders are planned to be shipped in 2026. These orders will primarily be used by the Company's newly created capacity in Mexico, which was built specifically to manufacture custom power products. The Company will also be creating capacity at other factories to support the volume increase by purchasing additional equipment and production optimization projects.

The backlog cycle is longer for large project driven, mostly custom product, which can be over one year for some factories. For those factories focused on standard product, the backlog does not generally extend beyond six to eight weeks. While a strong backlog should be viewed as a positive indicator of future business activity, long lead times are often a limiting factor for backlog growth, as excessive lead times will lead certain customers to seek alternate suppliers.

The backlog represents a customer's intent to buy, but not all orders in the backlog have firm ship dates, and in cases where work has not begun, many can be cancelled without penalty.

Gross margin

The Company saw a decrease in its gross margin rate for the three months of Quarter 3, 2025 which was 30.1% compared to Quarter 3, 2024 record-high margin rate of 33.8%. The year-to-date gross margin rate decreased from 32.8% in 2024 to 30.7% in 2025, a decrease of 210

MANAGEMENT'S DISCUSSION AND ANALYSIS

basis points. The decline in gross margin is mainly the result of higher material costs related to commodity volatility, inflation in the supply chain and tariffs. The Company implemented a price increase in April 2025 and an additional increase in August 2025 which was not fully realized in the quarter. The gross margin was negatively impacted by approximately 233 basis points due to unabsorbed factory overhead at its new facilities in Mexico, as was expected as the facilities ramp up production.

Margin performance remains sensitive to fluctuations in selling prices, commodity cost volatility, customer mix and geographic sales distribution. In the interest of protecting gross margins, the Company has been proactive in anticipating cost increases, judicious in maintaining margins and conscientious of our customer relationships. Key inputs to our products include electrical steel, copper, aluminum, insulation, carbon steel, resin and fiberglass, as well as labour and overheads. Generally, the price of commodities had been stable over the course of 2025, while labour and overhead costs continued to increase. During the second and third quarter, we began to experience inflationary pressures on some input purchases such as aluminum wire, insulation and hardware. The Company has increased prices as its underlying costs rise and will consider future increases as competitive conditions permit.

The increase in sales volumes in Quarter 3, 2025, along with similar organic growth in 2024, has resulted in certain facilities operating at or near capacity. To address this, the Company has invested in additional equipment across existing manufacturing sites over the past 30 months, enabling a steady increase in shipping volumes. In addition, the opening of a new standard product facility in Mexico in late 2024 has contributed to alleviating future capacity constraints and will allow for a more secure supply chain. The Company's newest custom power facility in Mexico is now operational, and

will begin to contribute meaningful production capacity in the first quarter of 2026.

The Company continues to focus on long-term investment to support future sales and margin growth. Gross margin rates are sustained by the maintenance of market prices combined with material procurement and engineering cost reduction initiatives. The Company has reaped the benefits of higher absorption of factory overheads due to increased sales volume, with the exception of new facilities. Purchasing at scale, continuous improvement programs, a focus on higher-margin solutions and products and maintaining flexible manufacturing capabilities will all contribute to the ability to maintain and improve margins over time.

Selling and distribution expenses

Total selling and distribution expenses were \$24,224 in Quarter 3, 2025 or 11.1% of sales versus \$20,252 in Quarter 3, 2024 or 10.5% of sales, an increase of \$3,972 or an increase of 60 basis points. Year-to-date selling and distribution expenses were \$71,209 or 11.1% of sales in 2025 compared to \$61,910 or 10.7% of sales in 2024, an increase of \$9,299 or 40 basis points. The quarter and year-to-date increase in selling and distribution expenses is a result of higher variable freight and commission expenses attributed to the increase in sales, as well as investment in people and technology to support growth.

General and administrative expense

General and administrative expenses were \$16,534 or 7.6% of sales for Quarter 3, 2025 compared to Quarter 3, 2024 expenses of \$21,024 or 11.0% of sales, a decrease of \$4,490 or 340 basis points. Removing the impact of share-based compensation, general and administrative expenses were \$15,047 or 6.9% of sales in Quarter 3, 2025 compared to \$14,113 or 7.4% of sales in Quarter 3, 2024, an increase of \$934 and a decrease of 50 basis points.

Year-to-date general and administration expenses were \$44,744 or 6.9% of sales in 2025 compared to \$59,225 or 10.2% of sales in 2024, a decrease of \$14,481 or 330 basis points. Removing the impact of share-based compensation, year-to-date general and administrative expenses were \$45,009 or 7.0% of sales in 2025 compared to \$41,670 or 7.2% of sales in 2024, an increase of \$3,339 and a decrease of 20 basis points.

Key drivers for the change in the quarterly general and administrative expenses are as follows:

- The vesting units resulted in a share-based compensation expenses of \$1,487 in Quarter 3, 2025 compared to \$6,911 in Quarter 3, 2024. The share-price has levelled since the beginning of the year creating a year-to-date share-based compensation recovery is \$264 in 2025 compared to an expense of \$17,555 in 2024, a decrease of \$17,819;
- General and administrative expenses related to newly acquired Micron were \$832 in the quarter;
- Approximately \$738 of the increase in the Quarter is associated with strategic investments in people resources and incentive plans; and
- Investments in technology and cloud-based software increased expenses by \$631 in the quarter.

HPS continues to invest in growth while remaining very cognizant of prudent general and administrative expense management.

Earnings from operations¹

Quarter 3, 2025 earnings from operations were \$24,928 compared to \$23,665 for the same quarter last year, an increase of \$1,263 or 5.3%. The increase in the quarter is primarily related to a decrease in share-based compensation and an increase in sales offset by increased selling and freight expenses and decreased gross margins. Year-to-date the earnings from operations were \$82,057 in 2025 compared to \$69,054 in 2024, an increase of \$13,003 or 18.8%. Year-to-date the increase is related to lower share-based compensation and higher sales, offset by lower gross margins, higher selling, distribution, general and administrative expenses.

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

	Quarter 3, 2025	Quarter 3, 2024	YTD 2025	YTD 2024
Net earnings	\$ 17,440	\$ 16,311	\$ 57,038	\$ 47,853
Add:				
Income tax expense	6,265	6,684	20,884	18,852
Interest expense	1,133	400	2,332	808
Foreign exchange loss	57	237	1,704	1,442
Other	33	33	99	99
Earnings from operations	\$ 24,928	\$ 23,665	\$ 82,057	\$ 69,054

Net Finance and other costs

Interest expense for Quarter 3, 2025 was \$1,133 an increase of \$733 compared to the Quarter 3, 2024 expense of \$400. Year-to-date interest expense was \$2,332 in 2025 and \$808 in 2024, an increase of \$1,524. The increased interest in the quarter and year-to-date is due to an increase in bank indebtedness to fund working capital requirements and a decrease in interest earned on money market funds. Interest expense includes all bank fees.

¹ Refer to Non-GAAP financial measures on page 3 of this quarterly report

MANAGEMENT'S DISCUSSION AND ANALYSIS

The foreign exchange loss in Quarter 3, 2025 was \$57 compared to \$237 in Quarter 3, 2024 – a change of \$180. Year-to-date the foreign exchange loss was \$1,704 in 2025 compared to \$1,442 in 2024, an increase of \$262. This loss relates primarily to the transactional exchange pertaining to the Company's U.S. dollar trade accounts receivable and payable. The change of the foreign exchange expenses for the year is related to the volatility in the exchange rates during the year – primarily the U.S. dollar.

As at September 27, 2025, the Company had outstanding foreign exchange contracts in place for 14,500 Euros ("EUR") and \$19,000 USD. Both were implemented as an economic hedge against translation gains and losses on inter-company loans and outstanding forward exchange contracts for \$24,000 USD – an economic hedge of U.S. dollar denominated accounts payable in HPS Canada operations.

Income taxes

Quarter 3, 2025 income tax expense was \$6,265 compared to \$6,684 in Quarter 3, 2024, a decrease of \$419 or 6.3%. Year-to-date income tax expenses were \$20,884 in 2025 compared to \$18,852 in 2024, an increase of \$2,032 or 10.8%.

The consolidated effective tax rate¹ for Quarter 3, 2025 was 26.4% versus 29.1% for Quarter 3, 2024, a decrease of 2.7%. Year-to-date the effective tax rates were 26.8% in 2025 and 28.3% in 2024, a decrease of 1.5%. The changes in the effective tax rates are impacted by changes in the earnings mix of the Company as income is generated from different geographical tax jurisdictions and is subject to diverse tax rates and regulations.

The Company's deferred tax assets and liabilities are related to temporary differences in various tax jurisdictions, primarily reserves and allowances, which are not deductible in the current year. A difference in the carrying value of property, plant and equipment and intangible assets for accounting purposes and for tax purposes is a result of business combination accounting and a different basis of depreciation utilized for tax purposes.

Net earnings

Net earnings for Quarter 3, 2025 finished at \$17,440 compared to net earnings of \$16,311 in Quarter 3, 2024, an increase of \$1,129. Year-to-date net earnings for 2025 finished at \$57,038 compared to net earnings of \$47,853 in 2024, an increase of \$9,185. The increase in the quarterly year-to-date net earnings is due to higher sales, higher gross margin dollars and lower share-based-compensation offset by higher selling and distribution expenses and higher general and administrative expenses.

Earnings per share

Basic earnings per share were \$1.46 for Quarter 3, 2025 versus \$1.37 in Quarter 3, 2024, an increase of \$0.09. Year-to-date the basic earnings per share were \$4.79 in 2025 compared to \$4.02 in 2024, an increase of \$0.77.

Adjusted for foreign exchange losses and share-based compensation expenses adjusted earnings per share² were \$1.56 for Quarter 3, 2025 versus \$1.80 for Quarter 3, 2024. Year-to-date adjusted earnings per share were \$4.88 for 2025 compared to \$5.16 in 2024.

¹ Effective tax rate is calculated as the income tax expense divided by the earnings before income taxes

² Refer to Non-GAAP financial measures on page 3 of this quarterly report

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

	Quarter 3, 2025	Quarter 3, 2024	YTD 2025	YTD 2024
Net earnings before tax	\$ 23,705	\$ 22,995	\$ 77,922	\$ 66,705
Add (Subtract):				
Long-term incentive plan (“LTIP”) expense	1,052	2,533	692	7,707
Deferred Share Units (“DSU”) expense	435	4,378	(956)	9,848
Foreign exchange loss	57	237	1,704	1,442
Adjusted net earnings before tax	\$ 25,249	\$ 30,143	\$ 79,362	\$ 85,702
Adjusted net earnings	18,576	21,381	58,092	61,481
Adjusted earnings per share	1.56	1.80	4.88	5.16

EBITDA

EBITDA for Quarter 3, 2025 was \$28,746 versus \$27,229 in Quarter 3, 2024, an increase of \$1,517 or 5.6%. Adjusted for foreign exchange loss/gain and share-based compensation expenses adjusted EBITDA for Quarter 3, 2025 was \$30,290 versus \$34,377 in Quarter 3, 2024, a decrease of \$4,087 or 11.9%. Year-to-date EBITDA was \$93,163 in 2025 and \$78,939 in 2024, an increase of \$14,224 or 18.0%. Year-to-date adjusted EBITDA was \$94,603 in 2025 and \$97,936 in 2024, a decrease of \$3,333 or 3.4%.

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

	Quarter 3, 2025	Quarter 3, 2024	YTD 2025	YTD 2024
Net earnings	\$ 17,440	\$ 16,311	\$ 57,038	\$ 47,853
Add:				
Interest expense	1,133	400	2,332	808
Income tax expense	6,265	6,684	20,884	18,852
Depreciation and amortization	3,908	3,834	12,909	11,426
EBITDA	\$ 28,746	\$ 27,229	\$ 93,163	\$ 78,939
Add (Subtract):				
Long-term incentive plan (“LTIP”) expense	1,052	2,533	692	7,707
Deferred Share Units (“DSU”) (recovery) expense	435	4,378	(956)	9,848
Foreign exchange loss	57	237	1,704	1,442
Adjusted EBITDA	\$ 30,290	\$ 34,377	\$ 94,603	\$ 97,936

MANAGEMENT'S DISCUSSION AND ANALYSIS

Summary of quarterly financial information (unaudited)

Fiscal 2025 Quarters	Q1, 2025	Q2, 2025	Q3, 2025	YTD Total
Sales	\$ 201,403	\$ 224,419	\$ 218,341	\$ 644,163
Net earnings	\$ 26,222	\$ 13,376	\$ 17,440	\$ 57,038
Net earnings per share – basic	\$ 2.20	\$ 1.12	\$ 1.46	\$ 4.79
Net earnings per share – diluted	\$ 2.20	\$ 1.12	\$ 1.46	\$ 4.79
Average U.S. to Canadian exchange rate	\$ 1.436	\$ 1.387	\$ 1.376	\$ 1.400

Fiscal 2024 Quarters	Q1, 2024	Q2, 2024	Q3, 2024	Q4, 2024	Total
Sales	\$ 190,680	\$ 197,212	\$ 191,972	\$ 208,476	\$ 788,340
Net earnings	\$ 7,952	\$ 23,590	\$ 16,311	\$ 23,678	\$ 71,531
Net earnings per share – basic	\$ 0.67	\$ 1.98	\$ 1.37	\$ 1.99	\$ 6.01
Net earnings per share – diluted	\$ 0.67	\$ 1.98	\$ 1.37	\$ 1.99	\$ 6.01
Average U.S. to Canadian exchange rate	\$ 1.348	\$ 1.368	\$ 1.367	\$ 1.394	\$ 1.369

HPS sales saw a decrease in Quarter 3, 2025 compared to the record level of sales achieved in Quarter 2, 2025. The decline was due to the timing of some large product orders which fell heavily into the second quarter. Increased demand for products and additional capacity allows the Company to continue the trend of increased sales levels. The ongoing increase in sales quarter-over-quarter is a function of increased pricing, higher volume and additional sales related to Micron, Mesta Electronics LLC (“Mesta”) and Mexico. Sales trends have been positively impacted by the stronger U.S. dollar exchange.

Gross margin rates have decreased in Quarter 3, 2025, over prior year and previous quarters this year. The margin rate decrease is primarily related to cost increases in key inputs and product mix.

Capital resources and liquidity

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

Year-to-date the net cash used in operating activities was \$5,103 in 2025 compared to net cash generated of \$42,338 in 2024, a change of \$47,441, due to higher working capital requirements in 2025. The year-to-date non-cash working capital used was \$73,558 in 2025 and \$29,372 in 2024. The working capital increases are driven by higher accounts receivable, driven by higher sales. Inventory is also higher than prior year, driven by higher volumes, safety stock requirements to support certain large projects, higher finished goods and shipment delays resulting in higher raw materials and work-in-process inventory. The Company expects working capital as a percentage of sales to align more closely with historical levels in the coming quarters. Tariffs will also have an impact as the payment of those costs occurs more quickly than material inputs.

Cash generated by financing activities was \$37,633 in 2025 and cash used of \$16,224 in 2024. The change is due to advances on bank operating lines in the current year compared to repayments in the prior year.

Year-to-date cash used in investing activities was \$27,048 in 2025 and \$30,696 in 2024, a decrease of \$3,648. Capital expenditures were \$7,366 in Quarter 3, 2025 compared to \$13,531 for Quarter 3, 2024, a decrease of \$6,165. Year-to-date capital expenditures were \$27,048 in 2025 and \$30,886 in 2024, a decrease of \$3,838.

Bank operating lines of credit have increased \$53,824 since the year-end balance of \$12,983. The increase in the bank operating lines of credit during Quarter 3, 2025 is due to increased income tax payments, higher working capital requirements and increased capital expenditures.

The Company's overall net operating debt balance was \$28,306¹, a decrease of \$49,408 from the net operating cash balance of \$21,102² at December 31, 2024. The Quarter 3, 2024 net operating cash balance was \$32,913³, a change of \$61,219 as of Quarter 3, 2025.

All bank covenants continue to be met as at September 27, 2025.

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

Contractual obligations

The following table outlines payments due for each of the next 5 years and thereafter related to debt, lease, purchase and other long-term obligations.

	2025	2026	2027	2028	2029 & Thereafter	Total
Accounts payable and accrued liabilities	\$ 128,074	–	–	–	–	\$ 128,074
Capital expenditure purchase	10,759	–	–	–	–	10,759
Bank operating lines	66,807	–	–	–	–	66,807
Lease liabilities	6,799	6,246	5,412	4,765	5,267	28,489
Contingent consideration	845	–	–	–	–	845
Total	\$ 213,824	\$ 6,246	\$ 5,412	\$ 4,765	\$ 5,267	\$ 234,974

Regular quarterly dividend

The Board of Directors of HPS declared a quarterly cash dividend of twenty-seven and a half cents (\$0.275) per Class A Subordinate Voting Share of HPS and a quarterly cash dividend of twenty-seven and a half cents (\$0.275) per Class B Common Share of HPS paid on September 25, 2025 to shareholders of record at the close of business on September 18, 2025. The ex-dividend date was September 18, 2025. Year-to-date the Company has paid a cash dividend of eighty-two and a half cents (\$0.825) per Class A Subordinate Voting Share and of eighty-two and a half cents (\$0.825) per Class B Shares.

¹ Overall net operating debt balance is the bank operating lines of credit of \$66,807 net the cash and cash equivalents balance of \$38,501.

² Overall net operating cash balance is the cash and cash equivalents of \$34,085 net of bank operating lines of credit of \$12,983.

³ Overall net operating cash balance is the cash and cash equivalents of \$49,076 net of bank operating lines of credit of \$16,163.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Controls and procedures

The Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures and for establishing and maintaining adequate internal controls over financial reporting. The control framework used in the design of disclosure controls and procedures and internal control over financial reporting is the 2013 Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("2013 COSO Framework"). Our internal control system was designed to provide reasonable assurance to our Management and Board of Directors regarding the preparation and fair presentation of published financial statements in accordance with IFRS Accounting Standards. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

During Quarter 3, 2025 there were no material changes identified in HPS' internal controls over financial reporting that had materially affected or was reasonably likely to materially affect HPS' internal control over financial reporting. HPS does carry out ongoing improvements to its internal controls over financial reporting, but nothing considered at a material level.

Risks and uncertainties

The Company's goal is to proactively manage risks in a structured approach in conjunction with strategic planning, with the intent to preserve and enhance shareholder value. However, as with most businesses, HPS is subject to several marketplace, industry and economic-related business risks, which could cause our results to vary materially from anticipated future results. The Company is aware 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.

Tariffs and export controls

Ongoing changes to tariffs and export controls impacting our products and supply chain represent a significant risk to HPS. The Company has a substantial manufacturing presence in Canada and Mexico, and as the importer of record in the U.S., is often responsible for remitting any tariffs implemented on our products by the U.S. government. Additionally, unless HPS is able to negotiate otherwise with its suppliers, it may be required to incur the cost of tariffs on raw materials imported into the U.S. to support U.S. manufacturing operations. The imposition of tariffs has had an impact on gross margins and working capital requirements. Tariffs and export controls may also generate a scarcity of raw materials that HPS relies on to support its operations, which may result in increased output costs, longer lead times, and reduced pricing predictability. The Company continues to monitor and respond to trade-related developments, including through enhanced coordination with our customers, suppliers, and customs brokers. The Company's short-term efforts are focused on protecting margins and ensuring an orderly supply of products to our North American customers.

Market supply and demand impact on commodity prices

HPS relies on a global supply chain to meet its manufacturing needs. The Company sources both raw materials and components from our own factories and third-party suppliers. Industry supply shortages including those caused by logistics disruptions

and global conflicts, may interrupt manufacturing production, therefore affecting our ability to ship products to customers. One particular commodity that is specific to the transformer industry, is grain-oriented electrical steel (“GOES”). GOES is produced in relatively few mills in the world and as a result HPS is heavily reliant on foreign sourced products. The Company attempts to mitigate these commodity risks through supplier agreements and supplier diversification.

The cyclical effects and unprecedented rise of global commodity prices, including prices for copper, aluminum and electrical steel may put margins at risk. There is a risk in our ability to recoup the rapid escalating commodity costs through timely and effective selling price increases. Conversely, there is a risk that decreasing commodity costs will create competitive price pressure in our market, forcing prices down and reducing our gross margins.

Such changes could materially adversely affect HPS’ financial condition, liquidity or results of operations.

Risk of cyber attack

The Company relies on information technology systems and digital infrastructure to manage engineering and production processes, supply chain coordination, customer relationships, employee management, and financial reporting. Like many organizations, the Company is subject to outside cyberattacks and viruses, including ransomware attacks, data breaches, phishing attempts, and other unauthorized access or disruption attempts targeting our systems. A successful cyber-attack could result in misappropriation of assets, cause interruptions to manufacturing and our ability to take orders, as well as impact our general productivity. This risk is reduced through several initiatives to mitigate exposure, including a transition to cloud-based applications, periodic risk assessments, and more robust practices around employee training and awareness and system updates.

Attraction and retention of skilled talent

HPS is known for its engineering depth and expertise, particularly with respect to transformers. As we deliver more diversified integrated electronic solutions to our customers, a key to our continued success will be our ability to acquire and retain key engineering talent. Competition for top-tier engineering talent is increasing as electrification and decarbonization trends evolve. Extended recruitment lead times, rising salary expectations, and multiple competing offers are increasing labour costs and creating pressure to hire quickly, which can compromise cultural fit. Misalignment in fit may affect project quality, team cohesion, and our organizational culture. Given competition for limited engineering talent, risks of poaching and high turnover persist. Demographic changes, including an aging workforce in Canada, have also contributed to the Company’s challenges to attract and retain top talent. We are mitigating these risks through proactive recruitment, competitive compensation, and targeted retention strategies to preserve culture and support our growth initiatives.

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

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 initiatives may be subjective, the market may react negatively to these plans and HPS may not be able to successfully execute these plans. Even if successfully executed, the initiatives may not be effective or may not lead to the anticipated benefits within the expected time frame.

HPS’ strategic initiatives can include acquisitions and joint ventures. To be successful, management will

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

HPS does business in a host of countries around the world. Approximately 75% of our sales are to customers outside of Canada. In addition, several 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 the Company's sales and material purchases are denominated in U.S. dollars. There is a natural hedge, as sales denominated in U.S. dollars are largely 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 a number of other forms of taxation. Tax structures are subject to review by both domestic and foreign taxation authorities. 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 make it difficult or impossible to deliver our products or disrupt our global material sourcing.

Political uncertainty and potential for changes in the business environment can lead to legislative changes that could impact business.

Changing legislative mandates in the countries with which we do business may result in several 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. HPS' current structure includes a significant amount of business that crosses borders and any changes in the current trade structure could have a material impact on us. HPS' global footprint will be critical to mitigating any impact on 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 does. 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 greater resources to the development, promotion and sales of their products and services. If HPS 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 and macroeconomic factors influence the overall demand for the Company's products and financial performance. Persistent economic uncertainty, fluctuations in interest rates, inflationary pressures, and variability in public and private sector capital spending can have a direct impact on order volumes and customer project timelines. To partially offset uncertainties, we are focusing our efforts on projects that will increase our market reach, advance our cost competitiveness, expand capacity and improve our manufacturing flexibility. The Company believes that being an agile organization will hold even greater importance in its ability to respond quickly to both unexpected opportunities and challenges. HPS' management believes that the key to expanding our market share is growing

MANAGEMENT'S DISCUSSION AND ANALYSIS

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. This risk is partially mitigated by management's credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references. Sale limits are established for each customer and reviewed quarterly. Any sales exceeding those limits require approval from Executive management. Although the Company has historically incurred very low bad debt expense, the current economic environment conditions elevate this exposure and the Company's future collection rate may differ from its historical experience.

Our products could be the subject of litigation

The Company's products are used in industrial, commercial, and large-scale infrastructure applications, many of which involve mechanical, electrical, or structural components operating under demanding conditions. The Company's products are designed to distribute and control high voltages of electricity and are intended solely for installation, use, and maintenance by qualified professionals. As a result, the Company is exposed to the risk of tort litigation arising from alleged property damage, personal injury, or death caused by the use or misuse of its products. The Company maintains product liability insurance coverage that management believes is appropriate for the nature and scale of its operations. However, insurance coverage may not be available for all claims or may be insufficient in certain circumstances. The Company has implemented stringent quality-control, product testing, and documentation standards, and provides clear installation and operating instructions emphasizing that products must only be installed by licensed professionals in accordance with applicable electrical codes and safety standards. Despite these measures, the Company cannot eliminate the risk of product failures, third-party misuse, or unfounded claims. A significant product-related incident or adverse litigation outcome could result in material uninsured financial liability, reputational harm, regulatory scrutiny, or restrictions on the sale or use of the Company's products, any of which could adversely affect its business, financial condition, and results of operations.

Our business relies on external capital and liquidity from operations

The Company's operations and growth strategy depend on maintaining adequate liquidity and access to financing to support working capital, capital expenditures, and strategic initiatives. Changes to the global trade regime

involving our products and ongoing volatility in material costs have increased short-term funding requirements. The Company's primary sources of liquidity are cash generated from operations and available lines of credit. Management believes these sources of liquidity are sufficient to meet foreseeable obligations; however, significant changes to credit markets, interest rates, or a deterioration in the Company's operating performance could limit the Company's continued ability to obtain financing on acceptable terms. HPS is focusing on mitigating these risks by reducing working capital, aligning customer and supplier payment terms, and maintaining a conservative leverage profile relative to its peers.

Off-balance sheet arrangements

The Company has no off-balance sheet arrangements other than capital expenditure commitments disclosed in Notes to the Consolidated Financial Statements contained in our 2024 Annual Report.

Transactions with related parties

The Company had no transactions with related parties in 2025, other than transactions disclosed in Note 11 to the Condensed Consolidated Interim Financial Statements contained in our Quarter 3, 2025 Report.

Proposed transactions

The Company had no proposed transactions as at September 27, 2025. The Company continues to evaluate potential business expansion initiatives in accordance with its long-term growth strategy.

Financial instruments

As at September 27, 2025, the Company had outstanding foreign exchange contracts in place for 14,500 EUR and \$19,000 USD with both implemented as a hedge against translation gains and losses on inter-

company loans as well as \$24,000 USD to hedge the U.S. dollar denominated accounts payable in Canadian operations of HPS.

Critical accounting estimates

The preparation of the Company's condensed consolidated interim financial statements requires Management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. These estimates are based upon Management's historical experience and various other assumptions that are believed by Management to be reasonable under the circumstances.

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

The Company conducts its annual impairment assessment of goodwill, intangible assets and property, plant and equipment in the fourth quarter of each year, which corresponds with its annual planning cycle, and whenever events or changes in circumstances indicate that the carrying amount of an asset or Cash Generating Unit ("CGU") may not be recoverable. The Company did not identify any triggering events during the course of Quarter 3, 2025 indicating that the carrying amount of its assets and CGUs may not be recoverable, which would require the performance of an impairment test for those CGUs which did not contain goodwill.

Business Combinations requires acquirers to recognize the identifiable assets acquired and liabilities assumed at fair value. The determination of fair value requires Management to make estimates around the value that an independent third party, under no compulsion to act, would pay for an asset acquired or liability assumed on a standalone basis. Where possible,

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management engages third-party appraisers to assist in the determination of the fair value of real property acquired. The fair value of acquired intangible assets are generally determined using discounted cash flow models and involve the use of cash flow forecasts, market-based discount rates, and/or market-based royalty rates. The fair value of liabilities assumed is generally based on discounted cash flow models which involves the use of market-based discount rates. The development of cash flow forecasts involves the use of estimates, which may differ from actual cash flows realized. Assumptions are involved in the determination of discount rates and royalty rates.

The Company records a provision for warranties based on historical warranty claim information and anticipated warranty claims, based on a weighted probability of possible outcomes.

The key assumptions made by management in recording the provision are i) warranty cost, ii) probability of claim, and iii) quantum of units which may be subject to any warranty claim.

Quantifying provisions inherently involves judgment, and future events and conditions may impact these assumptions. Differences in actual future experience from the assumptions utilized may result in a greater or lower warranty cost.

Outstanding share data

Details of the Company's outstanding share data as of October 23, 2025 are as follows:

9,126,624	Class A Shares
<u>2,778,300</u>	<u>Class B Common Shares</u>
<u>11,904,924</u>	<u>Total Class A and B Shares</u>

Strategic direction and outlook

HPS has a rich and extensive history of growth, innovation and resilience and continues to experience significant growth and progress. The Company has navigated through difficult and fluctuating economic

times, increased globalization, adapted to changes in customers and markets and has experienced significant advances in technology. HPS has framed these challenges as opportunities and developed strategies to address these rapid changes.

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

- Developing our Customers and Markets by:
 - Driving organic growth through continuing to develop our distribution network;
 - Offering competitive products, including an expanding product quality offering;
 - Providing unparalleled service to our customers; and
 - Growing through strategic acquisitions.
- Achieving Operational and Financial Excellence by:
 - Driving continuous improvement;
 - Improving efficiency by investing in equipment, people and technology; and
 - Optimizing the efficiency of our global manufacturing footprint.
- Developing our People and Culture by:
 - Building our leadership team for the future;
 - Developing our people to excel and thrive; and
 - Making HPS a preferred employer.
- Building a Sustainability Program by
 - Designing energy efficient products;
 - Shrinking our ecological footprint; and
 - Energizing the world in a responsible way for the generations to come.

The Company will continue to grow in its existing channels by increasing its share of products by offering solutions that cater to the customer's specific needs. This will involve broadening the breadth of solutions that HPS offers, including power quality solutions.

With a focus on growth and advancement, HPS intends to spend approximately \$80,000 on capital expansion projects over 2023 through 2025, of which

approximately \$71,000 has been spent to date. Included in this program was \$20,000 announced in August 2024 that will be focused on increasing its planned capital program over two years to build capacity to manufacture custom power transformers in Mexico. These planned capital investments are focused on areas targeted to increase capacity and reduce lead times for low voltage distribution power, large power, power quality and induction heating products. These investments are also expected to support HPS' supply chain resilience initiatives.

During Quarter 3, 2025 HPS continued to make significant investments in capital to continue to enhance our manufacturing plants and build capacity. As we grow, we are investing in equipment and machinery that will allow us to keep up with future demand and allow us to optimize our manufacturing capabilities at our various locations. We are also investing in business technology that will help us become more efficient and provide us with the data that we need to improve our business.

Our acquisition of Mesta in 2021 has expanded HPS' offering into standard and custom active filter and induction heating products. Mesta shares an excellent reputation for product quality, design and reliability. Mesta not only expands HPS' U.S. presence but also broadens our power solutions product offering and manufacturing capabilities in power quality solutions. Mesta continues to contribute to both the increase in revenue as well as the increase in profits.

During Quarter 4, 2024 HPS completed an acquisition of assets and liabilities relating to the operations of Micron Industries Corporation. The acquisition was structured as a business combination through the U.S. entity. The combined expertise of our teams is a significant step forward in our growth strategy to offer an even broader array of innovative solutions to our customers and strengthen our reputation for high quality products and services, especially within

our OEM markets. Industrial control transformers are essential for protecting sensitive equipment and align with our focus on power quality solutions. With rising demand for U.S.-made products in energy efficiency and automation projects, integrating Micron into HPS is expected to enhance our ability to meet this growing market. Micron's U.S.-based manufacturing strengthens our service to customers across the U.S. and North America, supporting our domestic growth and industrialization efforts. The integration of Micron into HPS continues with the current focus on implementing our Enterprise Resource Planning ("ERP") system to go live later this year.

In Quarter 2, 2025 HPS continued with the Certification by Great Place to Work™ at all Canada, U.S. and India locations from 2024 while also gaining the Certification at all Mexico locations. This accomplishment highlights the Company's focus on building talent and preserving our culture through our significant growth. This certification can also be a strong tool when recruiting future talent.

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

During the quarter, the Company determined that the expanded tariffs on steel and aluminum derivative products applied to certain materials and components included in many of HPS' products. The Company expects these tariffs to have a relatively uniform impact across its industry and has been working collaboratively with its customers and suppliers to manage and offset the effect of these additional costs.

The Company continues to have a strong reputation for being an industry leader and is both operationally and financially strong. HPS is well positioned to meet the evolving needs of our traditional markets while

MANAGEMENT'S DISCUSSION AND ANALYSIS

becoming a leading player in a growing number of other market sectors. We continue to focus on escalation of market share, improved sales growth from new product development, geographic diversification, productivity gains, cost reduction and capacity flexibility.

The Company has provided shareholders with strong earnings per share, solid cash generation and consistent dividend growth. To continue this trend HPS is focused on sales development, continued distributor channel expansion, product development, and bringing quality and value to all that we produce. Our strategic initiatives and focused plans will continue to allow HPS to grow and expand.

HPS' strategic vision and operational initiatives have supported our industry leadership, operational strength and financial stability. The combination of our resilience, drive, decades of experience, commitment, engineering expertise, solid supplier relationships and a broad and unique business perspective gained through our diverse products, customers and markets are all key success factors for HPS.

Selected Annual and Quarterly Information

(tabular amounts in thousands of dollars)

The information contained in the following table presents the historic audited annual financial information as at December 31 and the unaudited financial information for the previous eight quarters up to and including the Third Quarter of 2025. 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.

Annual Information	2020	2021	2022	2023	2024
Sales	322,097	380,202	558,464	710,064	788,340
Earnings from operations	22,041	23,151	59,441	86,721	98,760
EBITDA	29,482	30,114	69,746	95,995	112,873
Adjusted EBITDA	29,359	30,675	69,650	117,229	130,484
Net earnings	14,062	15,176	44,828	63,399	71,531
Total assets	189,394	235,099	302,673	408,343	493,141
Non-current liabilities	8,329	7,104	8,101	12,500	17,620
Total liabilities	75,478	109,097	125,779	177,965	185,104
Total shareholders' equity attributable to equity holders of the Company	113,916	126,002	176,894	230,378	308,037
Operating debt, net of cash	(1,278)	1,638	21,972	34,120	21,102
Cash provided by operations	19,683	20,447	37,013	44,108	64,751
Basic earnings per share	1.20	1.29	3.79	5.33	6.01
Diluted earnings per share	1.20	1.28	3.77	5.33	6.01
Dividends declared and paid	3,993	4,009	4,556	6,548	11,607
Average exchange rate (USD\$=CAD\$)	1.343	1.253	1.301	1.350	1.369
Book value per share	9.70	10.69	15.00	19.54	25.87

Quarterly Information	2023	2024				2025		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Sales	186,958	190,680	197,212	191,972	208,476	201,403	224,419	218,341
Earnings from operations	24,661	10,299	35,090	23,665	29,706	37,447	19,682	24,928
EBITDA	26,749	14,999	36,711	27,229	33,934	40,697	23,720	28,746
Adjusted EBITDA	37,081	30,972	32,587	34,377	32,548	30,916	33,396	30,290
Net earnings	19,903	7,952	23,590	16,311	23,678	26,222	13,376	17,440
Total assets	408,343	422,778	431,532	454,285	493,141	510,406	526,049	583,723
Non-current liabilities	12,500	11,893	11,066	15,226	17,620	16,390	17,341	20,223
Total liabilities	177,965	184,440	168,513	183,115	185,104	181,581	199,613	238,919
Total shareholders' equity attributable to equity holders of the Company	230,378	238,338	263,019	271,170	308,037	328,825	326,436	344,804
Operating cash (debt)	34,120	30,893	34,871	32,913	21,102	4,840	(13,419)	(28,306)
Cash (used in) provided by operations	21,053	6,285	18,656	17,397	22,413	(3,008)	42	(2,137)
Basic earnings per share	1.68	0.67	1.98	1.37	1.99	2.20	1.12	1.46
Diluted earnings per share	1.68	0.67	1.968	1.37	1.99	2.20	1.12	1.46
Adjusted earnings per share	2.43	1.66	1.73	1.80	1.91	1.60	1.72	1.56
Dividends declared and paid	1,746	3,276	3,276	3,271	3,274	3,274	3,273	3,274
Average exchange rate (USD\$=CAD\$)	1.365	1.348	1.368	1.365	1.396	1.436	1.387	1.400
Book value per share	19.54	20.02	22.09	22.78	25.87	27.62	27.42	28.96

Condensed Consolidated Statements of Financial Position

(unaudited) (in thousands of dollars)

As at

	September 27, 2025	December 31, 2024
Assets		
Current assets		
Cash and cash equivalents	\$ 38,501	\$ 34,085
Accounts receivable	166,589	140,400
Inventories	178,299	143,276
Income taxes receivable	12,004	5,274
Prepaid expenses and other assets (note 4)	7,074	10,692
Total current assets	402,467	333,727
Non-current assets		
Property, plant and equipment (note 5)	134,124	110,323
Investments (note 6)	5,375	5,390
Deferred tax assets	14,220	13,967
Intangible assets	12,260	13,730
Goodwill	15,277	16,004
Total non-current assets	181,256	159,414
Total assets	\$ 583,723	\$ 493,141
Liabilities		
Current liabilities		
Bank operating lines of credit	\$ 66,807	\$ 12,983
Accounts payable and accrued liabilities	128,074	134,919
Deferred revenue	6,863	4,277
Income taxes payable	8,174	6,054
Provisions	2,645	3,168
Current portion of lease liabilities (note 7)	6,133	6,083
Total current liabilities	218,696	\$ 167,484
Non-current liabilities		
Provisions	547	454
Deferred tax liabilities	—	2
Long-term portion of lease liabilities (note 7)	19,676	17,164
Total non-current liabilities	20,223	17,620
Total liabilities	\$ 238,919	\$ 185,104
Shareholders' Equity		
Share capital	15,761	15,761
Contributed surplus	2,289	2,289
Accumulated other comprehensive income (note 9)	15,915	26,365
Retained earnings	310,839	263,622
Total shareholders' equity	\$ 344,804	\$ 308,037
Total liabilities and shareholders' equity	\$ 583,723	\$ 493,141

See accompanying notes to condensed consolidated interim financial statements

Condensed Consolidated Statements of Operations

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

	Three Months Ending		Nine Months Ending	
	September 27, 2025	September 28, 2024	September 27, 2025	September 28, 2024
Sales (note 10)	\$ 218,341	\$ 191,972	\$ 644,163	\$ 579,864
Cost of sales	152,655	127,031	446,153	389,675
Gross margin	65,686	64,941	198,010	190,189
Selling and distribution	24,224	20,252	71,209	61,910
Other general and administrative	15,047	14,113	45,008	41,670
Share based compensation	1,487	6,911	(264)	17,555
Total general and administrative	16,534	21,024	44,744	59,225
	40,758	41,276	115,953	121,135
Earnings from operations	\$ 24,928	\$ 23,665	\$ 82,057	\$ 69,054
Finance and other costs				
Interest expense	1,133	400	2,332	808
Foreign exchange loss	57	237	1,704	1,442
Other	33	33	99	99
Net finance and other costs	1,223	670	4,135	2,349
Earnings before income taxes	23,705	22,995	77,922	66,705
Income tax expense	6,265	6,684	20,884	18,852
Net earnings	\$ 17,440	\$ 16,311	\$ 57,038	\$ 47,853
Earnings per share				
Basic earnings per share	\$ 1.46	\$ 1.37	\$ 4.79	\$ 4.02
Diluted earnings per share	\$ 1.46	\$ 1.37	\$ 4.79	\$ 4.02

See accompanying notes to condensed consolidated interim financial statements

Condensed Consolidated Statements of Comprehensive Income

(unaudited) (in thousands of dollars)

	Three Months Ending		Nine Months Ending	
	September 27, 2025	September 28, 2024	September 27, 2025	September 28, 2024
Net earnings	\$ 17,440	\$ 16,311	\$ 57,038	\$ 47,853
Other comprehensive income (loss)				
Foreign currency translation differences for foreign operations (note 9)	4,202	(4,889)	(10,450)	1,272
Total comprehensive income for the period	\$ 21,642	\$ 11,422	\$ 46,588	\$ 49,125

See accompanying notes to condensed consolidated interim financial statements

Condensed Consolidated Statement of Changes in Equity

(unaudited) (in thousands of dollars) For the nine months ended September 27, 2025

	SHARE CAPITAL	CONTRIBUTED SURPLUS	AOCI*	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
Balance at January 1, 2025	\$ 15,761	\$ 2,289	\$ 26,365	\$ 263,622	\$ 308,037
Total comprehensive income for the year					
Net earnings	–	–		57,038	57,038
Other comprehensive loss					
Foreign currency translation differences (note 9)	–	–	(10,450)	–	(10,450)
Total other comprehensive loss	–	–	(10,450)	–	(10,450)
Total comprehensive (loss) income for the year	–	–	(10,450)	57,038	46,588
Transactions with owners, recorded directly in equity					
Dividends to equity holders (note 8)	–	–	–	(9,821)	(9,821)
Total transactions with shareholders	–	–	–	(9,821)	(9,821)
Balance at September 27, 2025	\$ 15,761	\$ 2,289	\$ 15,915	\$ 310,839	\$ 344,804

*AOCI – Accumulated other comprehensive income

See accompanying notes to condensed consolidated interim financial statements

Condensed Consolidated Statement of Changes in Equity

(unaudited) (in thousands of dollars) For the nine months ended September 28, 2024

	SHARE CAPITAL	CONTRIBUTED SURPLUS	AOCI*	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
Balance at January 1, 2024	\$ 15,761	\$ 2,289	\$ 8,630	\$ 203,698	\$ 230,378
Total comprehensive income for the year					
Net earnings	–	–	–	47,853	47,853
Other comprehensive income					
Foreign currency translation differences (note 9)	–	–	1,272	–	1,272
Total other comprehensive income	–	–	1,272	–	1,272
Total comprehensive income for the year	–	–	1,272	47,853	49,125
Transactions with owners, recorded directly in equity					
Dividends to equity holders (note 8)	–	–	–	(8,333)	(8,333)
Total transactions with shareholders	–	–	–	(8,333)	(8,333)
Balance at September 28, 2024	\$ 15,761	\$ 2,289	\$ 9,902	\$ 243,218	\$ 271,170

*AOCI – Accumulated other comprehensive income

See accompanying notes to condensed consolidated interim financial statements

Condensed Consolidated Statements of Cash Flows

(unaudited) (in thousands of dollars)

	Nine Months Ending	
	September 27, 2025	September 28, 2024
Cash flows from operating activities		
Net earnings	\$ 57,038	\$ 47,853
Adjustments for:		
Depreciation of property, plant and equipment	11,893	10,634
Amortization of intangible assets	1,016	792
Provisions	762	(236)
Interest expense	2,332	808
Income tax expense	20,884	18,852
Share-based compensation (recovery) expense	(264)	17,555
Change in unrealized loss (gain) on derivatives included within other assets	288	(430)
	93,949	95,828
Change in non-cash working capital (note 12)	(73,558)	(29,372)
Cash generated by operating activities	20,391	66,456
Income tax paid	(25,494)	(24,118)
Net cash (used in) generated by operating activities	(5,103)	42,338
Cash flows from investing activities		
Repayment of lease receivable payment	–	1,545
Investment (note 6)	–	(1,300)
Acquisition of intangible assets	–	(55)
Acquisition of property, plant and equipment (note 5)	(27,048)	(30,886)
Cash used in investing activities	(27,048)	(30,696)
Cash flows from financing activities		
Net advances (repayments) of bank operating lines of credit	53,824	(2,308)
Payment of lease liabilities (note 7)	(4,944)	(4,028)
Cash dividends paid (note 8)	(9,821)	(8,333)
Payment of contingent consideration	–	(1,350)
Interest paid	(1,426)	(205)
Cash generated by (used in) financing activities	37,633	(16,224)
Foreign exchange on cash held in a foreign currency	(1,066)	1,067
Increase (decrease) in cash	4,416	(3,515)
Cash and cash equivalents at beginning of period	34,085	52,591
Cash and cash equivalents at end of period	\$ 38,501	\$ 49,076

See accompanying notes to condensed consolidated interim financial statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three and nine months ended September 27, 2025 and September 28, 2024
(tabular amounts in thousands of dollars except share and per share amounts)

1. Reporting entity

Hammond Power Solutions Inc. (“HPS” or “the Company”) is a company domiciled in Canada. The address of the Company’s registered office is 595 Southgate Drive Guelph, Ontario. The Company’s Class A subordinate voting shares are listed on the Toronto Stock Exchange and trade under the symbol HPS.A.

The unaudited condensed consolidated interim financial statements of the Company as at and for the third quarter ended September 27, 2025 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”). The Group enables electrification through its broad range of dry-type transformers, power quality products and related magnetics. HPS’ standard and custom-designed products are essential and ubiquitous in electrical distribution networks through an extensive range of end-user applications. The Company has manufacturing plants in Canada, the United States (“U.S.”), Mexico and India and sells its products around the globe.

2. Basis of preparation

a) Statement of compliance

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

These unaudited condensed consolidated interim financial statements were approved by the Board of Directors on October 23, 2025.

b) Use of estimates and judgements

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

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

In preparing these unaudited condensed consolidated 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, 2024.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three and nine months ended September 27, 2025 and September 28, 2024
(tabular amounts in thousands of dollars except share and per share amounts)

3. Summary of significant accounting policies

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Group's 2024 annual audited financial statements, which are available on SEDAR+'s website at www.sedarplus.ca. The significant accounting policies applied by the Company in these unaudited 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, 2024, with the exception of items noted below:

Changes to accounting policies

The Company adopted the amendments to IAS 21, lack of exchangeability (Amendments to IAS 21), in its financial statements for the annual period beginning on January 1, 2025. The adoption of the amendments did not have a material impact on the consolidated financial statements.

4. Prepaid expenses and other assets

	September 27, 2025	December 31, 2024
Prepaid expenses	\$ 7,074	\$ 9,245
Derivative asset	–	1,447
	\$ 7,074	\$ 10,692

5. Property, plant and equipment

Property, plant and equipment comprise owned and leased assets that do not meet the definition of investment property. Carrying amounts of owned and right of use assets are as follows:

	September 27, 2025	December 31, 2024
Property, plant and equipment owned	\$ 110,317	\$ 90,765
Right-of-use assets	23,807	19,558
	\$ 134,124	\$ 110,323

The Group had acquisitions of property, plant and equipment owned for the nine months ended September 27, 2025, in the amount of \$27,048,000 made up of \$1,353,000 of buildings, \$20,418,000 of machinery and equipment, \$3,955,000 of leasehold improvements and \$1,322,000 of computer equipment (2024 – \$30,886,000 made up of \$3,457,000 of buildings, \$19,208,000 of machinery and equipment, \$6,695,000 of leasehold improvements and \$1,526,000 of computer equipment).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three and nine months ended September 27, 2025 and September 28, 2024
(tabular amounts in thousands of dollars except share and per share amounts)

Right of use assets

The Group leases many assets including buildings, vehicles and office equipment. Information about leases for which the Group is a lessee is presented below.

	Buildings	Vehicles	Total
Balance at January 1, 2025	\$ 18,793	\$ 765	\$ 19,558
Additions	7,002	177	7,179
Depreciation	(3,755)	(267)	(4,022)
Effect of movements in exchange rates	1,102	(10)	1,092
Balance at September 27, 2025	\$ 23,142	\$ 665	\$ 23,807

6. Investments

	September 27, 2025	December 31, 2024
Investment in properties	\$ 2,775	\$ 2,790
Investment in convertible debentures	2,600	2,600
	\$ 5,375	\$ 5,390

i) Investment in properties

The Group has a 50% ownership interest in a property in Georgetown, Ontario. The property is carried at cost of \$1,044,000. The estimated fair value of the property as at September 27, 2025 is \$1,150,000. The fair value was determined based on independent available market evidence, with reference to comparable market transactions.

The Group owns a property in Marnate, Italy. The property is carried at cost of \$4,161,000 (net of accumulated depreciation of \$2,430,000, for a net book value of \$1,731,000). The estimated fair value of the property as at September 27, 2025 is 2,130,000 Euros (approximately \$3,475,000). The fair value was determined based on independent available market evidence, based on comparable property sales, by an independent valuator.

ii) Investment in convertible debentures

On March 22, 2024, HPS entered into a financing agreement with SmartD Technologies Inc. ("SmartD"). In the agreement, the Corporation can invest up to \$3,900,000 over three years in convertible debentures of SmartD. SmartD Technologies produces advanced motor control products, most notably it's Clean Power Variable Frequency Drive™. SmartD's products combine motor drives with harmonic mitigating technology that help businesses save energy, lower costs and minimize their carbon footprint.

As of September 27, 2025 the investment of \$2,600,000 is included in Level 3 of the fair value hierarchy, measured at fair value through profit and loss. As of September 27, 2025 nil had been recorded through profit and loss. To determine the fair value of the investment, Management considered the progress of the development of the technology as well as the need to generate additional funding.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three and nine months ended September 27, 2025 and September 28, 2024
(tabular amounts in thousands of dollars except share and per share amounts)

7. Lease and other long-term liabilities

	September 27, 2025	December 31, 2024
Lease liabilities	\$ 24,964	\$ 22,402
Contingent consideration	845	845
	25,809	23,247
Current	6,133	6,083
Non-Current	\$ 19,676	\$ 17,164

Right of use liability maturity analysis – contractual undiscounted cash flows

	September 27, 2025	December 31, 2024
Less than one year	\$ 6,799	\$ 5,879
One to five years	20,352	16,295
More than five years	1,338	3,464
Total undiscounted lease liabilities	\$ 28,489	\$ 25,638
Less: effect of discounting and foreign exchange	\$ (3,525)	\$ (3,236)
Lease liabilities included in the statement of financial position	\$ 24,964	\$ 22,402
Current	\$ 5,288	\$ 5,238
Non-current	\$ 19,676	\$ 17,164

	September 27, 2025	September 28, 2024
Amounts recognized in statement of operations		
Interest on lease liabilities	\$ 906	\$ 603

	September 27, 2025	September 28, 2024
Amounts recognized in statement of cash flows		
Payment of lease liabilities	\$ 4,944	\$ 4,028

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three and nine months ended September 27, 2025 and September 28, 2024
(tabular amounts in thousands of dollars except share and per share amounts)

8. Share capital

a) Dividends:

The following dividends were declared and paid by the Company:

	Nine Months Ending	
	September 27, 2025	September 28, 2024
82.5 cents per Class A common share (2024: 70 cents)	\$ 7,529	\$ 6,388
82.5 cents per Class B common share (2024: 70 cents)	2,292	1,945
	\$ 9,821	\$ 8,333

b) Deferred Share Units

The Company maintains a deferred share unit plan in order to issue deferred share units ("DSUs") to non-employee directors and senior executives of HPS.

The movement in DSUs for the nine months ended September 27, 2025 and September 28, 2024 was as follows:

	Number of DSUs	Closing Share Price
Balance at January 1, 2024	168,135	\$ 81.70
DSUs issued	5,406	118.66
Balance at September 28, 2024	173,541	\$ 135.90

	Number of DSUs	Closing Share Price
Balance at January 1, 2025	174,517	\$ 128.04
DSUs issued	13,182	103.53
DSUs settled	(44,309)	84.56
Balance at September 27, 2025	143,390	\$ 120.00

An expense of \$435,000 for the three months ended September 27, 2025 and a recovery of \$956,000 for the nine months ended September 27, 2025 was recorded in general and administrative expenses (three months ended September 28, 2024 – an expense of \$4,378,000; nine months ended September 28, 2024 an expense of \$9,848,000). The liability of \$17,642,000 (December 31, 2024 - \$22,345,000) related to these DSUs is included in accounts payable and accrued liabilities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three and nine months ended September 27, 2025 and September 28, 2024
(tabular amounts in thousands of dollars except share and per share amounts)

c) Long Term Incentive Plan

The Long Term Incentive Plan (“LTIP”) consists of an annual grant made to the Chief Executive officer and other executive officers of Performance Share Units (“PSU”) and Restricted Share Units (“RSU”).

The movement in PSUs and RSUs for the three months ended September 27, 2025 and September 28, 2024 was as follows:

	Number of PSUs	Number of RSUs	Total Number of Units	Closing Share Price
Issued Balance at January 1, 2024	67,239	44,825	112,064	
Units issued	6,232	4,156	10,388	
Units settled	(26,574)	(17,716)	(44,290)	
Issued Balance at September 28, 2024	46,897	31,265	78,162	\$ 135.90

	Number of PSUs	Number of RSUs	Total Number of Units	Closing Share Price
Vested Balance at January 1, 2024	66,343	30,539	96,882	
Units vested	17,989	7,816	25,805	
Units settled	(39,862)	(17,716)	(57,578)	
Vested Balance at September 28, 2024	44,470	20,636	65,106	\$ 135.90

	Number of PSUs	Number of RSUs	Total Number of Units	Closing Share Price
Issued Balance at January 1, 2025	46,897	31,265	78,162	
Units issued	12,622	8,413	21,035	
Units settled	(17,028)	(11,352)	(28,380)	
Issued Balance at September 27, 2025	42,491	28,326	70,817	\$ 121.58

	Number of PSUs	Number of RSUs	Total Number of Units	Closing Share Price
Vested Balance at January 1, 2025	49,461	22,444	71,905	
Units vested	15,550	5,120	20,670	
Units settled	(25,543)	(11,352)	(36,895)	
Vested Balance at September 27, 2025	39,468	16,212	55,680	\$ 121.58

An expense of \$1,052,000 for the three months ended September 27, 2025 and an expense of \$692,000 for the nine months ended September 27, 2025 was recorded in general and administrative expenses (three months ended September 28, 2024 – expense of \$2,533,000; nine months ended September 28, 2024 expense of \$7,707,000). The liability of \$7,104,000 (December 31, 2024 - \$9,785,000) related to these PSUs and RSUs is included in accounts payable and accrued liabilities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three and nine months ended September 27, 2025 and September 28, 2024
(tabular amounts in thousands of dollars except share and per share amounts)

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 income for the three months ended September 27, 2025 was \$4,202,000 and loss for the nine months ended September 27, 2025 was \$10,450,000 (three months ended September 28, 2024 – loss of \$4,889,000 and nine months ended September 28, 2024 was income of \$1,272,000), of which \$10,450,000 (Quarter 3, 2024 – \$1,272,000) relates to the translation of wholly-owned subsidiaries, resulting in an ending balance as at September 27, 2025 of accumulated other comprehensive income of \$15,915,000 (September 28, 2024 – \$9,902,000).

10. Sales

	Three Months Ending		Nine Months Ending	
	September 27, 2025	September 28, 2024	September 27, 2025	September 28, 2024
United States and Mexico	\$ 158,015	\$ 130,086	\$ 456,502	\$ 393,994
Canada	51,395	52,916	161,607	157,070
India	8,931	8,970	26,054	28,800
	\$ 218,341	\$ 191,972	\$ 644,163	\$ 579,864

As at September 27, 2025 the Company had contract liabilities of \$6,863,000 (December 31, 2024 – \$4,277,000).

11. Related party transactions

Related parties

William G. Hammond, Chair of the Board, directly and indirectly, through Arathorn Investments Inc., beneficially owns 2,778,300 (December 31, 2024 – 2,778,300) Class B common shares of the Company, representing 100% of the issued and outstanding Class B common shares of the Company and 424,636 (December 31, 2024 – 424,636) Class A subordinate voting shares of the Company, representing approximately 4.7% (2024 – 4.7%) of the issued and outstanding Class A subordinate voting shares of the Company and as a result controls the Company. William G. Hammond, Chair of the Board, owns all of the issued and outstanding shares of Arathorn Investments Inc. Total dividends paid during the quarter, directly and indirectly to William G. Hammond were \$881,000, year-to-date were \$2,643,000 (three months ended September 28, 2024 \$881,000; nine months ended September 28, 2024 \$2,454,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three and nine months ended September 27, 2025 and September 28, 2024
(tabular amounts in thousands of dollars except share and per share amounts)

12. 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 27, 2025	September 28, 2024
Accounts receivable	\$ (26,189)	\$ (9,053)
Inventories	(35,023)	(16,448)
Prepaid expenses and other assets	2,171	2,004
Accounts payable and accrued liabilities	(6,869)	(11,280)
Deferred revenue	2,586	1,581
Provisions	(1,192)	–
Settlement of derivatives	1,447	–
Foreign exchange	(10,489)	3,824
	\$ (73,558)	\$ (29,372)

HPS Global Offices

Canada

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595 Southgate Drive
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Hammond Power Solutions

Private Limited

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Mexico

Hammond Power Solutions S.A.

de C.V.

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Mesta Electronics LLC

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Micron Group, LLC

1801 Westwood Drive
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Corporate Information

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Kitchener, ON N2G 0E1

Transfer Agent and Registrar

Computershare Investor Share Services Inc.
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Investor Relations

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

Stock Exchange Listing

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

Corporate Officers and Directors

Officers



Catherine McKeown
Chief People Officer



Adrian Thomas
Chief Executive Officer
& Director



Richard Vollering
Chief Financial Officer
& Corporate Secretary



John Bailey
Chief Operations Officer



Paul Gaynor
Chief Information Officer



David Kinsella
Chief Commercial Officer

Directors



William G. Hammond
Chair of the Board &
Audit Member



Frederick M. Jaques
Lead Director



Dahra Granovsky
Governance Chair



Christopher R. Huether
Audit Member



Nathalie L. Pilon
Governance Member



Anne Marie Turnbull
Human Resources &
Compensation Chair



David Wood
Audit Chair



Gregory Yull
Human Resources &
Compensation Member



THOSE WHO LOOK ONLY TO THE PAST OR THE PRESENT
ARE CERTAIN TO MISS THE FUTURE.