hammond
POWER SOLUTIONS

Q3 REPORT

For the nine months ended September 28, 2024

ABOUT US

HAMMOND POWER SOLUTIONS INC.

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.

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POWER SOLUTIONS

to our
Shareholders

Hammond Power Solutions Inc. ("HPS") has continued to make significant strides in progressing our strategic goals and developing capacity for the future. Our sales have shown year-over-year growth of 6.9% compared to the third quarter of 2023 and year-to-date growth of 10.9%. Booking momentum continued through the third quarter with a slight increase in backlog driven primarily by custom products related to project activity. We saw the product mix continue to shift towards custom products, a trend we have been experiencing for several quarters now, mainly driven by increasing activity in emerging sectors such as data centers. A more acute driver for this shift in the third quarter was the result of a slower overall market for standard products in the United States ("U.S."), mainly driven by broad weakness in commercial construction and general industrial markets over the summer. This trend was prevalent throughout the quarter, resulting in slightly lower shipments as compared to the second quarter. Canada saw similar market dynamics in commercial construction, however, project activity in healthcare, infrastructure and data centres continues to remain robust.

As anticipated, Mesta shipments began to gain momentum in the third quarter with a large induction heating order starting to ship. Outside North America, Indian sales increased by 15% in the third quarter compared to prior year with strong shipments for the renewables sector. Our diversification of geography, markets, channels and products continues to support our growth momentum as the commercial and industrial markets shift.

Our gross margin rate increased 460 basis points to 33.8% compared to 31.7% in the same quarter last year. Year-to-date, our gross margin rate has increased from 31.5% in 2023 to 32.8% in 2024. Continued operating leverage, a more favourable product mix, and the price increase implemented earlier this year contributed to these gains in our gross margin rates.

We continue to see Power Quality gain momentum with increased Mesta sales and strong quotation activity in active harmonic filters. We also announced the agreement to purchase the assets of Micron Industries Corporation ("Micron") which closed in the second week of October. The addition of Micron will improve our ability to serve U.S. and North

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Continued from page 1

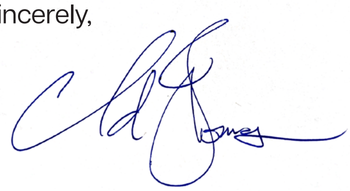
American customers from the facility in the U.S., as well as provide us with access to a broader set of Original Equipment Manufacturers ("OEM") customers where we can look to expand our sales of power quality products and other products in our portfolio. In addition to Micron, we continue to look for additional acquisition opportunities that will allow us to broaden our portfolio of solutions, increase our access to customers and accelerate our revenue growth.

Our continued confidence in long-term demand for our products, combined with sustained project quotation activity, led us to announce an additional $20 million investment in our capital program late this summer. This investment will focus on further building out our large custom power transformer capacity, removing capacity bottlenecks and significantly adding to our future revenue capacity. In addition to plant capital expansions, we have continued our strategic technology path and completed the implementation of a digital pricing tool to better leverage data and enhance our agility in the market. We have also commenced the implementation of a customer relationship management ("CRM") platform that will enhance our ability to develop and manage our customer relationships, provide better visibility on market activity, and leverage emerging digital capabilities such as AI.

We were honoured to be recognized in September 2024 by the Toronto Stock Exchange, being named to the top spot of the TSX30, which recognized our significant and consistent 3-year total shareholder return of 928%.

I am pleased to report that our strong backlog, which continues to increase despite shorter shipping cycles, along with our proactive approach to maintaining and improving margins, positions us well for continued success. We are committed to driving growth and delivering value to our shareholders.

Sincerely,



ADRIAN THOMAS
CHIEF EXECUTIVE OFFICER

Management's Discussion and Analysis

Hammond Power Solutions Inc. ("HPS" or the "Company") enables electrification through its broad range of dry-type transformers, power quality products 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 28, 2024 and December 31, 2023, and financial performance for the three and nine months ended September 28, 2024 and September 30, 2023, and should be read in conjunction with the accompanying unaudited Condensed Interim Consolidated Financial Statements of the Company for the third quarter of fiscal 2024. This information is based on Management's knowledge as at October 29, 2024. 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 2023 Annual Report and accordingly, the purpose of this document is to provide a third quarter update to the information contained in the fiscal 2023 MD&A. All amounts are reported under IFRS Accounting Standards ("IFRS"). All amounts in this report are expressed in thousands of Canadian dollars unless otherwise noted. Additional information relating to the Company may be found on SEDAR's website at www.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. 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 and Adjusted EBITDA are some of the measures the Company uses to evaluate operational profitability. Net cash or net indebtedness and net income taxes payable or receivable, are measures the Company uses to evaluate balance sheet strength. The Company presents EBITDA to show its performance before interest, taxes, and depreciation and amortization. Management believes that HPS shareholders and potential investors in HPS use additional GAAP and non-GAAP financial measures, such as operating earnings, net cash or net indebtedness, net income taxes payable/receivable, EBITDA and Adjusted EBITDA in making investment decisions about the Company and to measure its operational results. A reconciliation of earnings from operations, EBITDA and Adjusted EBITDA to net earnings for the quarters and nine months ending September 28, 2024, and September 30, 2023, 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.

DOLLARS IN THOUSANDS UNLESS OTHERWISE STATED

"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, provided HPS has not commenced purchasing or production for that order. "Book value per share" is the total shareholders' equity divided by the average outstanding shares. The terms "earnings from operations", "EBITDA", "adjusted EBITDA", "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, 2024 consolidated financial statements, which comprise the consolidated statements of financial position as at September 28, 2024, and December 31, 2023, the consolidated statements of operations, comprehensive income for the three and nine months ended September 28, 2024 and September 30, 2023, the changes in equity and cash flows for the nine months ended September 28, 2024 and September 30, 2023, and Notes thereto, have been prepared under IFRS Accounting Standards.

Sales

Geography	**Q3, 2024**	Q3, 2023	$ Change	% Change	**YTD 2024**	YTD 2023	$ Change	% Change
U.S. & Mexico*	$ 130,086	$ 129,762	$ 324	0.2%	$ 393,994	$ 365,876	$ 28,118	7.7%
Canada	52,916	41,969	10,947	26.1%	157,070	123,925	33,145	26.7%
India	8,970	7,790	1,180	15.1%	28,800	33,305	(4,505)	(13.5%)
Total	**$ 191,972**	**$ 179,521**	**$ 12,451**	**6.9%**	**$ 579,864**	**$ 523,106**	**$ 56,758**	**10.9%**

* When stated in U.S. dollars, U.S. and Mexico Quarter 3 sales have decreased from $96,818 in 2023 to $95,292 in 2024, a decrease of $1,526 or 1.6%. Year-to-date, when stated in U.S. dollars, sales have increased from $272,008 in 2023 to $289,663 in 2024, an increase of $17,655 or 6.5%.

Quarterly U.S. and Mexico sales were favourably impacted by a 1.9% stronger U.S. dollar ("USD"), $1.00 USD = $1.365 Canadian dollar ("CAD") compared against $1.00 USD = $1.340 CAD in Quarter 3, 2023. Year-to-date sales were favourably affected by a 1.1% stronger U.S. dollar ("USD"), $1.00 USD = $1.360 Canadian dollar ("CAD") compared against $1.00 USD = $1.345 CAD in Quarter 3, 2023.

Year-to-date, the U.S. market experienced its strongest growth in the distributor channel as the Company continued to grow sales within its existing distributor networks. While there has been a year-over-year increase in this channel, distribution declined this quarter compared to the second quarter of 2024, driven by slower industrial and commercial construction markets over the summer. The lower sales primarily affected standard stock and flow product, while shipments of custom product remained resilient. The Original Equipment Manufacturer ("OEM") and private label channels, while higher than 2023 on a year-to-date basis, decreased slightly in Quarter 3, 2024 versus Quarter 3, 2023, mainly due to the timing of shipments.

The Canadian market continued to achieve year-over-year growth through distribution channels in both stock and flow product and large projects in commercial construction, electric vehicle ("EV") charging, data centres, public infrastructure, mining and utilities. Sales in Canada were slightly lower than in Quarter 2, 2024, driven by a similar weakening of broad economic conditions as reported in the U.S.

Indian sales for Quarter 3, 2024 were $8,970 compared to $7,790 in Quarter 3, 2023, an increase of 15.1%. Year-to-date sales were $28,800 for 2024 and $33,305 for 2023, a decrease of 13.5%. 2023 sales were bolstered due to the recognition of $7,597 of revenue in Quarter 1 for an order produced and shipped in Quarter 4, 2022 that could not be recognized given sales terms of freight on board ("FOB") destination.

LatAm sales were $2,108 in the quarter and $7,870 year-to-date, an increase of 8.2% on a year-to-date basis. Mesta sales were $9,035 on a year-to-date basis, down 43.1% versus 2023. As anticipated, Mesta sales increased in Quarter 3, 2024 as a large order for induction heating products began to ship. Both Mesta and LatAm are included in the U.S. and Mexico geographic segment.

Quarter 3, 2024 sales stated by geographic segment were derived from U.S. sales of 67.7% (Quarter 3, 2023 – 72.3%) of total sales, Canadian sales of 27.6% (Quarter 3, 2023 – 23.4%) and Indian sales of 4.7% (Quarter 3, 2023 – 4.3%). Year-to-date sales by geographic segment were U.S. sales of 67.9% (2023 – 69.9%) of total sales, Canadian sales of 27.1% (2023 – 23.7%) and Indian sales of 5.0% (2023 – 6.4%)

In total, sales are 6.9% higher than Quarter 3, 2023 and year-to-date 10.9% higher than the first nine months of 2023. There was a price increase at the end of Quarter 1, 2024 resulting in 0.9% of the increase attributed to pricing for the quarter and 0.8% year-to-date. While sales growth in the U.S. was strong in the first quarter at 10.3% and 11.6% in the second quarter, there has been a decrease in momentum and growth has shifted in the past four quarters to Canada, which has experienced higher growth rates in markets such as data centres, public infrastructure, industrial and oil and gas markets.

Backlog

The Company's Quarter 3, 2024 backlog increased by 0.7% as compared to Quarter 3, 2023. Sequentially, the Company's backlog increased 4.2% from the Quarter 2, 2024 value even as our quarterly shipments continued at strong levels. For the past four quarters, bookings and shipments have been relatively well matched, despite increased output. While bookings for standard stock and flow product have shown some weakness, bookings for large custom power products remains strong. As the backlog stabilizes, product lead times have seen a corresponding decrease.

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 an increase in its gross margin rate for the three months of Quarter 3, 2024 which was 33.8%

compared to Quarter 3, 2023 margin rate of 31.7%, an increase of 210 basis points. The quarterly improvement in gross margin is due to a more favourable product mix. The year-to-date gross margin rate has increased from 31.5% in 2023 to 32.8% in 2024, an increase of 130 basis points. The year-to-date improvement in gross margin is caused by a combination of better operating leverage due to high factory throughput, price maintenance in some markets, and the price increase implemented in March 2024, offset by higher commodity costs and start-up costs at the new factory in Mexico. Higher gross margins were achieved in all channels and regions and are supported by high demand for the Company's products.

The increase in sales volumes in 2024, along with similar organic increases in 2023, resulted in some facilities operating close to or at capacity. Over the past two years, we have been adding investment of equipment to existing factories, which has allowed us to consistently increase shipping volumes without significantly increasing overall square footage. These additions will also allow the Company to reduce lead times and improve customer service levels.

We completed construction on the new factory in Mexico, which officially opened in mid-June and has started production. While this new factory is starting operations, there was further investment announced in August 2024, to increase its planned capital program by another $20,000 over two years to build capacity to manufacture custom power transformers in Mexico. The start-up costs incurred for these capital investments resulted in lowering gross margins by 0.7% in the quarter and 0.8% year-to-date.

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. Majority of the inputs had limited fluctuations and even eased during 2023 and into 2024, labour and overhead costs continued to increase, which necessitated a price increase in early 2024.

Gross margin rates are supported 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. 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 $20,252 in Quarter 3, 2024 or 10.5% of sales versus $19,856 in Quarter 3, 2023 or 11.1% of sales, an increase of $396 or a decrease of 60 basis points. Year-to-date selling and distribution expenses were $61,910 or 10.7% of sales in 2024 compared to $56,295 or 10.8% of sales in 2023, an increase of $5,615 or a decrease of 10 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.

General and administrative expense

General and administrative expenses were $21,024 or 11.0% of sales for Quarter 3, 2024 compared to Quarter 3, 2023 expenses of $16,504 or 9.2% of sales, an increase of $4,520 or 180 basis points. Removing the impact of share-based compensation, general and administrative expenses were $14,113 or 7.4% of sales in Quarter 3, 2024 compared to $13,748 or 7.7% of sales in Quarter 3, 2023.

Year-to-date general and administration expenses were $59,225 or 10.2% of sales in 2024 compared to $46,261 or 8.8% of sales in 2023, an increase of $12,964 or 140 basis points. Removing the impact of share-based compensation, year-to-date general and administrative expenses were $41,670 or 7.2% in 2024 compared to $35,047 or 6.7% of sales in 2023. On a year-to-date basis, general and administrative expenses have increased by 19%.

Key drivers for the increases in total general and administrative expenses are as follows:

- The higher third quarter share price and additional vesting of awards granted resulted in share-based compensation expense in Quarter 3, 2024 in the amount of $6,911, an increase of $4,155 compared to the Quarter 3, 2023 expense of $2,756. Year-to-date the share-based compensation expenses are $17,555 in 2024 compared to $11,215 in 2023, an increase of $6,340;
- Approximately $3,895 of the year-to-date increase in the current year is associated with strategic investments in people resources and incentive plans; and
- Additional general and administrative expenses related to engineering product development, sales and marketing activities, increased legal fees and additional travel represent $3,129 of the year-to-date increase.

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

Earnings from operations[1]

Quarter 3, 2024 earnings from operations were $23,665 compared to $20,480 for the same quarter last year, an increase of $3,185 or 15.6%. Year-to-date the earnings from operations were $69,054 in 2024 compared to $62,060 in 2023, an increase of $6,994 or 11.3%. The increase in earnings from operations in the quarter is primarily a result of an increase in sales and gross margin dollars, offset by an increase in share-based compensation, sales and distribution expenses and other general and administrative expenses.

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

	Quarter 3, 2024	Quarter 3, 2023	**YTD 2024**	YTD 2023
Net earnings	$ 16,311	$ 14,437	$ 47,853	$ 43,496
Add/(Subtract):				
Income tax expense	6,684	6,470	18,852	17,819
Interest expense	400	265	808	960
Foreign exchange loss (gain)	237	(725)	1,442	(313)
Other	33	33	99	98
Earnings from operations	$ 23,665	$ 20,480	$ 69,054	$ 62,060

[1] Refer to non-GAAP financial measures on page 4 of this quarterly report.

Net Finance and other costs

Net interest expense for Quarter 3, 2024 was $400, an increase of $135 compared to the Quarter 3, 2023 expense of $265. The increase in the interest for the quarter was due to the addition of a leased building during the three month period. Year-to-date interest expense was $808 in 2024 and $960 in 2023, a decrease of $152. The decrease in year-to-date interest expense is due to a decrease in bank indebtedness, and an increase in interest earned on money market funds. Net Interest expense includes all bank fees.

The foreign exchange loss in Quarter 3, 2024 was $237 compared to a gain of $725 in Quarter 3, 2023 – a change of $962. Year-to-date the foreign exchange loss was $1,442 in 2024 compared to a gain of $313 in 2023, an increase of $1,755. The year-to-date increase relates primarily to the revaluation of lease liabilities for property located in Mexico.

As at September 28, 2024, the Company had outstanding foreign exchange contracts in place for 14,000 Euros ("EUR") and $45,000 USD. Both were implemented as an economic hedge against translation gains and losses on inter-company loans and outstanding forward exchange contracts for $45,000 USD – an economic hedge of U.S. dollar denominated accounts payable in HPS Canada operations.

Income taxes

Quarter 3, 2024 income tax expense was $6,684 compared to $6,470 in Quarter 3, 2023, an increase of $214. Year-to-date income tax expenses was $18,852 in 2024 compared to $17,819 in 2023, an increase of $1,033 or 5.8%.

The consolidated effective tax rate[1] for Quarter 3, 2024 was 29.1% versus 30.9% for Quarter 3, 2023, a decrease of 1.8%. Year-to-date the effective tax rates were 28.3% in 2024 and 29.1% in 2023, a decrease of 0.8%. 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, 2024 finished at $16,311 compared to net earnings of $14,437 in Quarter 3, 2023, an increase of $1,874. Year-to-date net earnings were $47,853 in 2024 compared to $43,496 in 2023, an increase of $4,357. The increase in the quarterly and year-to-date earnings is a result of higher sales and gross margin dollars, offset by an increase in share-based compensation expenses, general and administrative expenses, selling and distribution expenses and income tax expense.

Earnings per share

Basic earnings per share were $1.37 for Quarter 3, 2024 versus $1.21 in Quarter 3, 2023, an increase of $0.16. Year-to-date the basic earnings per share were $4.02 in 2024 compared to $3.65 in 2023, an increase of $0.37.

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

EBITDA[1]

EBITDA for Quarter 3, 2024 was $27,229 versus $23,657 in Quarter 3, 2023, an increase of $3,572 or 15.1%. Adjusted for foreign exchange loss/gain and share-based compensation expenses adjusted EBITDA for Quarter 3, 2024 was $34,377, or 17.9% of sales, versus $25,688, or 14.3% of sales in Quarter 3, 2023, an increase of $8,689 or 33.8%. Year-to-date EBITDA was $78,939 in 2024 and $69,246 in 2023, an increase of $9,693 or 14.0%. Year-to-date adjusted EBITDA was $97,936, or 16.9% of sales in 2024 and $80,147, or 15.3% of sales, in 2023, an increase of $17,789 or 22.2%.

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

	Quarter 3, 2024	Quarter 3, 2023	**YTD 2024**	YTD 2023
Net earnings	$ 16,311	$ 14,437	$ 47,853	$ 43,496
Add:				
Interest expense	400	265	808	960
Income tax expense	6,684	6,470	18,852	17,819
Depreciation and amortization	3,834	2,485	11,426	6,971
EBITDA	$ 27,229	$ 23,657	$ 78,939	$ 69,246
Add (Subtract):				
Long-term incentive plan ("LTIP") expense	2,533	2,000	7,707	3,830
Deferred Share Units ("DSU") expense	4,378	756	9,848	7,384

[1] Refer to non-GAAP financial measures on page 4 of this quarterly report.

DOLLARS IN THOUSANDS UNLESS OTHERWISE STATED

Foreign exchange loss (gain)		237		(725)		1,442		(313)
Adjusted EBITDA	$	34,377	$	25,688	$	97,936	$	80,147

Summary of quarterly financial information (unaudited)

Fiscal 2024 Quarters		Q1, 2024		Q2, 2024		Q3, 2024		YTD Total
Sales	$	190,680	$	197,212	$	191,972	$	579,864
Adjusted EBITDA	$	30,972	$	32,587	$	34,377	$	97,936
Net earnings	$	7,952	$	23,590	$	16,311	$	47,853
Net earnings per share – basic	$	0.67	$	1.98	$	1.37	$	4.02
Net earnings per share – diluted	$	0.67	$	1.98	$	1.37	$	4.02
Average U.S. to Canadian exchange rate	$	1.348	$	1.368	$	1.365	$	1.360

Fiscal 2023 Quarters		Q1, 2023		Q2, 2023		Q3, 2023		Q4, 2023		Total
Sales	$	171,134	$	172,451	$	179,521	$	186,958	$	710,064
Adjusted EBITDA	$	29,121	$	25,338	$	25,688	$	37,081	$	117,229
Net earnings	$	15,726	$	13,333	$	14,437	$	19,903	$	63,399
Net earnings per share – basic	$	1.32	$	1.12	$	1.21	$	1.68	$	5.33
Net earnings per share – diluted	$	1.32	$	1.12	$	1.21	$	1.68	$	5.33
Average U.S. to Canadian exchange rate	$	1.351	$	1.345	$	1.340	$	1.365	$	1.350

Quarter 3, 2024 saw a decrease in sales, after a ten-quarter trend of higher sales quarter-over-quarter except for Quarter 4, 2022. The Quarter 4, 2022 drop was related to the large India order that was shipped but unable to be recognized until Quarter 1, 2023 given the sales terms of freight on board destination. The current quarter decline is associated with weakening commercial and industrial markets. The previous increase in sales over the past ten quarters was a function of increased pricing, higher volume and additional sales related to Mesta and Mexico. Sales trends have been positively impacted by the stronger U.S. dollar exchange.

Gross margin rates increased in Quarter 3, 2024, higher than Quarter 2, 2024 as well as the prior year. This margin rate improvement is attributed to higher operating leverage, pricing and a shift to higher margin products.

Capital resources and liquidity

The Company continued to focus on generating cash from operations, investment growth initiatives, and maintaining liquidity and access to capital to sustain future growth.

Year-to-date the net cash generated by operating activities was $42,338 in 2024 compared to $23,988 in 2023, an increase of $18,350, due to higher net earnings. The year-to-date non-cash working capital used was $29,372 in 2024 and $37,759 in 2023.

Cash used in financing activities was $16,224 in 2024 and cash generated of $7,693 in 2023. The key driver of this change is higher dividend payments and the repayments of bank operating lines in the current year compared to advances in the prior year.

Year-to-date cash used in investing activities was $30,696 in 2024 and $15,548 in 2023, an increase of $15,148. Capital expenditures were $13,531 in Quarter 3, 2024 compared to $9,231 for Quarter 3, 2023, an increase of $4,300. Year-to-date capital expenditures were $30,886 in 2024 and $15,550 in 2023. The previously announced investments in increased capacity are increasing capital expenditures as the year progresses. This investment is associated with our multi-year capital expansion plans to support growth.

Bank operating lines of credit have decreased $2,308 since the year-end balance of $18,471. The decrease in the bank operating lines of credit during Quarter 3, 2024 is due to increased cash generated by operations offset by increased capital expenditures.

The Company's overall net operating cash balance was $32,913[1], a decrease of $1,207 from the net operating cash balance of $34,120[2] at December 31, 2023. The Quarter 3, 2023 net operating cash balance was $22,130[3], a change of $10,783 as of Quarter 3, 2024.

All bank covenants continue to be met as at September 28, 2024.

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

[1] Overall net operating cash balance is the cash and cash equivalents balance of $49,076 net of the bank operating lines of credit of $16,163.
[2] Overall net operating cash balance is the cash and cash equivalents of $52,591 net of bank operating lines of credit of $18,471.
[3] Overall net operating cash balance is the cash and cash equivalents of $44,553 net of bank operating lines of credit of $22,423.

DOLLARS IN THOUSANDS UNLESS OTHERWISE STATED

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.

	2024	2025	2026	2027	2028 & Thereafter	Total
Accounts payable and accrued liabilities	$ 132,359	–	–	–	–	$ 132,359
Capital expenditure purchase commitments	18,842	–	–	–	–	18,842
Operating lines of credit	16,163	–	–	–	–	16,163
Derivative liability	23	–	–	–	–	23
Lease liabilities	5,464	4,735	3,718	2,821	6,512	23,250
Contingent liabilities	843	–	–	–	–	843
Total	$ 173,694	$ 4,735	$ 3,718	$ 2,821	$ 6,512	$ 191,480

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 27, 2024 to shareholders of record at the close of business on September 20, 2024. The ex-dividend date was September 20, 2024. Year-to-date the Company has paid a cash dividend of seventy cents ($0.70) per Class A Subordinate Voting Share and of seventy ($0.70) per Class B Shares.

Controls and procedures

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

During Quarter 3, 2024 there were no material changes identified in HPS’ internal controls over financial reporting that had materially affected or was reasonably likely to materially affect HPS’ internal control over financial reporting. HPS does carry out ongoing improvements to its internal controls over financial reporting, but nothing considered at a material level.

Subsequent Event

Asset Purchase of Micron Industries Corporation (“Micron”)

On October 7, 2024, the Company completed the acquisition of assets and liabilities of Micron Industries Corporation (“Micron”) in the U.S. The acquisition is structured as an asset purchase through the U.S. entity.

Micron is involved in the design and manufacture of control transformers as well as low voltage transformers and DC power supplies.

Micron's annual revenues are approximately $23,000 CAD. The company will continue to operate under the Micron brand, with the assets being purchased by HPS, Inc, HPS' principal operating company in the U.S.

Micron expands HPS' U.S. presence, is a quality supplier of industrial control transformers and aligns with the Company's focus on power quality solutions. The acquisition will enhance HPS' market share, offer a broader array of innovative solutions to our customers and strengthen our reputation for high quality products.

The preliminary purchase price has been allocated as follows:

Accounts receivable	$	3,335
Inventories and other assets		3,110
Property, plant and equipment		4,675
Intangibles and goodwill	$	11,260
Assets	$	22,380
Current liabilities		(1,641)
Total purchase consideration	$	20,739

The purchase was fully satisfied through cash consideration of $20,739.

Risks and uncertainties

The Company's goal is to proactively manage risks in a structured approach in conjunction with strategic planning, with the intent to preserve and enhance shareholder value. However, as with most businesses, HPS is subject to a number of 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.

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 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 rapidly 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.

If any of the following risks were to occur, they could materially adversely affect HPS' financial condition, liquidity or results of operations.

Attraction and retention of skilled talent

Hammond Power Solutions is known for its engineering depth and expertise. As we enter into broader power electronics solutions, a key to our continued growth along with maintaining our current core business, will be our ability to acquire and retain key engineering talent. As the world moves to electrification to support decarbonization, as well as onshoring of critical components within North America, competition for top-tier engineers to rival companies has been elevated. As our world undergoes electrification, another significant transformation is occurring as a substantial number of baby boomers retire. HPS, too, experiences the effects of these demographic changes, particularly in the retirement of key and essential skill sets.

The demand for skilled engineering professionals is exceeding the available global supply, making it harder to find and attract the right talent locally or globally. This is leading to extended recruitment lead times, increased salary expectations and elevated labour costs. The need to choose a candidate quickly due to multiple competing offers can lead to a misalignment in terms of cultural fit. This misalignment has the potential to compromise both the quality of our projects and the cohesion of our teams, all while posing a challenge to maintaining our organizational culture during periods of rapid expansion. Our culture serves as a pivotal component of our brand reputation within our market.

Given organizations are competing for limited engineering resources, the risk of poaching or high turnover remains a concern. Proactive and creative recruitment strategies, competitive compensation packages and intentional retention strategies to preserve cultural fit are ways of ensuring these risks to delivering our growth initiatives are mitigated.

Fighting Against Forced Labour and Child Labour in Supply Chains Act

The *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (previously known as Bill S-211) came into force in Canada on January 1, 2024. This legislation imposes mandatory reporting obligations on Canadian and international businesses regarding forced and child labor in their supply chains. Entities falling under the Act's definitions were required to submit annual reports by May 31, 2024. Failure to comply with the Act can result in significant business risks, including legal penalties, reputational damage, supply chain disruptions, and market access challenges. Management of the Corporation has no knowledge of non-compliance in its supply chain and in an effort to ensure compliance, had engaged a consulting firm to assist with supply chain due diligence resulting in the Corporation meeting its reporting obligations to the Ministry of Labour.

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 for us. HPS' global footprint will be critical to mitigating any impact for political changes that would modify the current trade relationships.

Risk of cyber attack

Globally there have been increased incidences of outside cyberattacks and viruses on companies' information infrastructure and technologies. 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.

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 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 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.

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.

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 times 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 influence the Company's focus, direction, strategic initiatives and financial performance. To address the current uncertainty, we are focusing our efforts on projects that will increase our market reach, advance our cost 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 increasing 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 analyzed 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.

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 2023 Annual Report.

Transactions with related parties

The Company had no transactions with related parties in 2024, other than transactions disclosed in Note 11 to the Condensed Consolidated Interim Financial Statements contained in our Quarter 3, 2024 Report.

Proposed transactions

Other than the subsequent event disclosed, the Company had no proposed transactions as at September 28, 2024. The Company continues to evaluate potential business expansion initiatives in accordance with its long-term growth strategy.

Financial instruments

As at September 28, 2024, the Company had outstanding foreign exchange contracts in place for 14,000 EUR and $45,000 USD with both implemented as a hedge against translation gains and losses on inter-company loans as well as $45,000 USD to hedge the U.S. dollar denominated accounts payable in Canadian operations of HPS.

On March 22, 2024, HPS entered into a financing agreement with SmartD Technologies Inc. ("SmartD"). In the agreement, the Corporation will invest up to $3,900 over three years in convertible debentures of SmartD. During 2024 there was an investment of $1,300 and is included in Level 3 of the fair value hierarchy.

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 2024 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 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 September 28, 2024 are as follows:

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

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 continued demand for our transformers, particularly in North America remained steady in the third quarter. Growth rates in certain sectors, such as commercial construction and industrial applications showed evidence of beginning to level out at the end of 2023, while others, such as data centres continue to be robust. Commodity costs have stabilized while price increases have served to protect gross margin rates. It is HPS' objective to maintain gross margins while delivering value to our customers.

The Company's growth continues through adding new distributors and implementing additional infrastructure in place to support our growth initiative into Mexico. We believe that Mexico has strong potential for us as a sales market due to its proximity to our manufacturing locations and our ability to leverage existing people, product, and supply chain.

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. The Company expects Mesta to continue to contribute to both the increase in revenue as well as the increase in profits. Expansion of Mesta's building is expected to be completed by early 2025.

During 2024 HPS has made 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.

With a focus on growth and advancement, HPS intends to spend approximately $80,000 on capital expansion projects over 2023 through 2025, of which $41,500 has been spent to date. An additional $20,000 of this committed amount was announced in August 2024 and 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 the first half of 2024, HPS took possession of an approximately 110,000 square foot small products facility in Mexico. The official opening of this location occurred at the end of Quarter 2 and will soon begin production. The Company has added equipment to the existing Mexico facilities to increase capacity. HPS is also expanding its manufacturing capacity at the Mesta location in Pennsylvania, U.S., as well as its facility in Guelph, Ontario, Canada. While the capital investments coming online in 2024 will add capacity for future years, the key capacity constraint is for large low voltage and medium voltage power products. Capacity expansions intended to address these constraints are not expected to come online until early 2025.

In March 2024, HPS signed a settlement agreement for the sale and purchase of the Italian plant. The Group exercised its put option, specifying the final plant purchase price was equal to 1,850,000 EUR. The final negotiations resulted in a net settlement amount of 1,050,000 EUR ($1,535,000 CAD). This agreement settled all outstanding disputed receivables and liabilities as well as the need for significant repairs to the roof of the building.

HPS entered into a financing agreement with SmartD Technologies Inc. (“SmartD”) during Quarter 1, 2024. In the agreement, the Corporation will invest up to $3.9 million 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 helps businesses save energy, lower costs, and minimize their carbon footprint.

Early in Quarter 2, 2024 HPS was Certified by Great Place to Work™ at all Canada, USA and India locations. This accomplishment highlights the Company’s focus on building talent and preserving our culture through our significant growth. This certification can also be a strong tool when recruiting future talent.

In September 2024, HPS was recognized as the top-performing company in the 2024 TSX30 ranking, highlighting the top-performing companies on the Toronto Stock Exchange. Being named the top company in the 2024 TSX30 underscores the commitment from employees and customers to the company and reinforces the focus on growth and profitability.

Subsequent to Quarter 3, 2024 HPS completed an acquisition of assets relating to the operations of Micron Industries Corporation. The combined expertise of our teams is a significant step forward in our growth strategy to offer an even broader array of innovative solutions to our customers and strengthen our reputation for high quality products and services, especially within our OEM markets. Industrial control transformers are essential for protecting sensitive equipment and align with our focus on power quality solutions. With rising demand for U.S.-made products in energy efficiency and automation projects, integrating Micron Industries into HPS 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 Company continues to have a strong reputation for being an industry leader and is both operationally and financially strong. HPS is well positioned to meet the evolving needs of our traditional markets while becoming a leading player in a growing number of other market sectors. We continue to be focused 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 quarterly dividends paid with an attractive yield. To continue this trend HPS is focused on sales development, continued distributor channel expansion, product development, and bringing quality and value to all that we produce. Our strategic initiatives and focused plans will continue to allow HPS to grow and expand.

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 2024. 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	2019	2020	2021	2022	**2023**
Sales	358,792	322,097	380,202	558,464	**710,064**
Earnings from operations	20,543	22,041	23,151	59,441	**86,721**
EBITDA	28,175	29,482	30,114	69,746	**95,995**
Adjusted EBITDA	27,941	29,359	30,675	69,650	**117,229**
Net (loss) earnings	11,607	14,062	15,176	44,828	**63,399**
Total assets	214,953	189,394	235,099	302,673	**408,343**
Non-current liabilities	11,271	8,329	7,104	8,101	**12,500**
Total liabilities	105,186	75,478	109,097	125,779	**177,965**
Total shareholders' equity attributable to equity holders of the Company	109,767	113,916	126,002	176,894	**230,378**
Operating debt, net of cash	(9,326)	(1,278)	1,638	21,972	**34,120**
Cash provided by operations	17,810	19,683	20,447	37,013	**44,108**
Basic (loss) earnings per share	0.99	1.20	1.29	3.79	**5.33**
Diluted (loss) earnings per share	0.99	1.20	1.28	3.77	**5.33**
Dividends declared and paid	3,287	3,993	4,009	4,556	**6,548**
Average exchange rate (USD$=CAD$)	1.327	1.343	1.253	1.301	**1.350**
Book value per share	9.36	9.70	10.69	15.00	**19.54**

	2022		**2023**				**2024**	
Quarterly Information	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**
Sales	144,253	171,134	172,451	179,521	186,958	190,680	197,212	191,972
Earnings from operations	20,369	22,623	18,957	20,480	24,661	10,299	35,090	23,665
EBITDA	24,093	24,145	21,444	23,657	26,749	14,999	36,711	27,229
Adjusted EBITDA	23,246	29,121	25,338	25,689	37,081	30,972	32,587	34,377
Net earnings	18,223	15,726	13,333	14,437	19,903	7,952	23,590	16,311
Total assets	302,673	327,166	339,358	373,761	408,343	422,778	431,532	454,285
Non-current liabilities	8,101	9,413	9,800	8,373	12,500	11,893	11,066	15,226
Total liabilities	125,779	135,572	138,863	155,952	177,965	184,440	168,513	183,115
Total shareholders' equity attributable to equity holders of the Company	176,894	191,594	200,495	217,809	230,378	238,338	263,019	271,170
Operating cash	5,352	7,127	11,717	22,130	34,120	30,893	34,871	32,913
Cash provided by (used in) operations	1,837	(10,466)	12,295	22,159	21,053	6,285	18,656	17,397
Basic earnings per share	1.55	1.32	1.12	1.21	1.68	0.67	1.98	1.37
Diluted earnings per share	1.53	1.32	1.12	1.21	1.68	0.67	1.98	1.37
Dividends declared and paid	1,183	1,488	1,488	1,787	1,785	1,786	3,276	3,271
Average exchange rate (USD$=CAD$)	1.358	1.351	1.345	1.340	1.365	1.348	1.368	1.365
Book value per share	15.00	16.31	17.01	18.47	19.54	20.02	22.09	23.00

Consolidated Statements of Financial Position

(unaudited) (in thousands of dollars)

	As at	
	September 28, 2024	December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	$ 49,076	$ 52,591
Accounts receivable	137,083	128,030
Inventories	131,038	114,590
Income taxes receivable	7,423	4,278
Prepaid expenses and other assets (note 4)	6,587	9,949
Total current assets	$ 331,207	$ 309,438
Non-current assets		
Property, plant and equipment (note 5)	90,330	65,841
Investment in properties (note 6)	4,148	2,940
Deferred tax assets	11,067	11,798
Intangible assets	5,664	6,590
Goodwill	11,869	11,736
Total non-current assets	123,078	98,905
Total assets	$ 454,285	$ 408,343
Liabilities		
Current liabilities		
Bank operating lines of credit	$ 16,163	$ 18,471
Accounts payable and accrued liabilities	132,382	126,360
Deferred revenue	7,302	5,721
Income taxes payable	2,481	4,602
Provisions	3,553	3,923
Current portion of lease liabilities (note 7)	6,008	6,388
Total current liabilities	$ 167,889	$ 165,465
Non-current liabilities		
Provisions	441	307
Deferred tax liabilities	280	22
Long-term portion of lease and other liabilities (note 7)	14,505	12,171
Total non-current liabilities	15,226	12,500
Total liabilities	$ 183,115	$ 177,965
Shareholders' Equity		
Share capital	15,761	15,761
Contributed surplus	2,289	2,289
Accumulated other comprehensive income (note 9)	9,902	8,630
Retained earnings	243,218	203,698
Total shareholders' equity	$ 271,170	$ 230,378
Subsequent event (note 13)		
Total liabilities and shareholders' equity	$ 454,285	$ 408,343

See accompanying Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Operations

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

	Three Months Ending		Nine Months Ending	
	September 28, 2024	September 30, 2023	**September 28, 2024**	September 30, 2023
Sales (note 10)	$ 191,972	$ 179,521	$ 579,864	$ 523,106
Cost of sales	127,031	122,681	389,675	358,490
Gross margin	64,941	56,840	190,189	164,616
Selling and distribution	20,252	19,856	61,910	56,295
Other general and administrative	14,113	13,748	41,670	35,047
Share based compensation	6,911	2,756	17,555	11,214
Total general and administrative	21,024	16,504	59,225	46,261
	41,276	36,360	121,135	102,556
Earnings from operations	23,665	20,480	69,054	62,060
Finance and other costs				
Interest expense	400	265	808	960
Foreign exchange loss (gain)	237	(725)	1,442	(313)
Other	33	33	99	98
Net finance and other costs (income)	670	(427)	2,349	745
Earnings before income taxes	22,995	20,907	66,705	61,315
Income tax expense	6,684	6,470	18,852	17,819
Net earnings	$ 16,311	$ 14,437	$ 47,853	$ 43,496
Earnings per share				
Basic earnings per share	$ 1.37	$ 1.21	$ 4.02	$ 3.65
Diluted earnings per share	$ 1.37	$ 1.21	$ 4.02	$ 3.65

See accompanying Notes to Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Statements of Comprehensive Income

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

	Three Months Ending		Nine Months Ending	
	September 28, 2024	September 30, 2023	**September 28, 2024**	September 30, 2023
Net earnings	$ 16,311	$ 14,437	$ 47,853	$ 43,496
Other comprehensive income				
Foreign currency translation differences for foreign operations (note 9)	(4,889)	4,664	1,272	1,748
Total comprehensive income for the period	$ 11,422	$ 19,101	$ 49,125	$ 45,244

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 Statement of Changes in Equity

(unaudited) (in thousands of dollars) For the nine months ended September 30, 2023

	SHARE CAPITAL	CONTRIBUTED SURPLUS	AOCI*	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
Balance at January 1, 2023	$ 15,240	$ 2,376	$ 12,431	$ 146,847	$ 176,894
Total comprehensive income for the year					
Net earnings	–	–	–	43,496	43,496
Other comprehensive income					
Foreign currency translation differences (note 9)	–	–	1,748	–	1,748
Total other comprehensive income	–	–	1,748	–	1,748
Total comprehensive income for the year	–	–	1,748	43,496	45,244
Transactions with owners, recorded directly in equity					
Dividends to equity holders (note 8)	–	–	–	(4,763)	(4,763)
Stock options exercised	521	(87)	–	–	434
Total transactions with shareholders	521	(87)	–	(4,763)	(4,329)
Balance at September 30, 2023	$ 15,761	$ 2,289	$ 14,179	$ 185,580	$ 217,809

*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) For the nine months ended September 28, 2024

	Nine Months Ending	
	September 28, 2024	September 30, 2023
Cash flows from operating activities		
Net earnings	$ 47,853	$ 43,496
Adjustments for:		
Amortization of property, plant and equipment	10,634	6,342
Amortization of intangible assets	792	629
Provisions	(236)	(236)
Interest expense	808	960
Income tax expense	18,852	17,819
Change in unrealized loss of derivatives included within other assets	(430)	(290)
Share-based compensation	17,555	11,214
	95,828	79,934
Change in non-cash working capital (note 12)	(29,372)	(37,759)
Cash generated by operating activities	66,456	42,175
Income tax paid	(24,118)	(18,187)
Net cash generated by operating activities	42,338	23,988
Cash flows from investing activities		
Receipt of lease receivable payments	1,545	140
Purchase of investment (note 6)	(1,300)	–
Acquisition of intangible assets	(55)	(138)
Acquisition of property, plant and equipment (note 5)	(30,886)	(15,550)
Cash used in investing activities	(30,696)	(15,548)
Cash flows from financing activities		
Net (prepayments) advances of bank operating lines of credit	(2,308)	16,269
Proceeds from issue of share capital	–	434
Payment of lease liabilities (note 7)	(4,028)	(2,914)
Cash dividends paid (note 8)	(8,333)	(4,763)
Payment of contingent consideration	(1,350)	(675)
Interest paid	(205)	(658)
Cash (used in) generated by financing activities	(16,224)	7,693
Foreign exchange on cash held in a foreign currency	1,067	294
(Decrease) increase in cash	(3,515)	16,427
Cash and cash equivalents at beginning of period	52,591	28,126
Cash and cash equivalents at end of period	$ 49,076	$ 44,553

See accompanying Notes to Condensed Consolidated Interim Financial Statements.

The accompanying unaudited condensed consolidated financial statements of Hammond Power Solutions Inc., ("HPS" or the "Company") have been prepared by and are the responsibility of the Company's Management.

1. Reporting entity

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

The Condensed Consolidated Interim Financial Statements of the Company as at and for the third quarter ended September 28, 2024 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 condensed consolidated financial statements have been prepared in accordance with requirements of IAS 34, Interim Financial Reporting and do not include all of the information required for full annual financial statements.

These condensed consolidated interim financial statements were approved by the Board of Directors on October 29, 2024.

b) Use of estimates and judgments

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

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

In preparing these condensed consolidated 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, 2023.

Three and nine months ended September 28, 2024 and September 30, 2023 (tabular amounts in thousands of dollars except share and per share amounts)

3. Summary of significant accounting policies

These condensed consolidated financial statements should be read in conjunction with the Group's 2023 annual audited financial statements, which are available on SEDAR+'s website at www.sedarplus.ca. The material accounting policies applied by the Company in these condensed consolidated 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, 2023, with the exception of items noted below:

Changes to accounting policies

- Classification of liabilities as current or non-current (Amendments to IAS 1) and Non-current liabilities with covenants (Amendments to IAS 1); and
- Lease liability in a sale and leaseback (Amendments to IFRS 16).

The Company adopted the amendments in its financial statements for the annual period beginning on January 1, 2024. The adoption of the amendments did not have a material impact on the condensed consolidated financial statements.

4. Prepaid expenses and other assets

	September 28, 2024	December 31, 2023
Prepaid expenses	$ 6,410	$ 8,414
Derivative asset	177	–
Current portion of long-term lease and note receivable	–	1,535
	$ 6,587	$ 9,949

On March 14, 2024 the Group and the purchaser signed a settlement agreement for the sale of one of its buildings in Italy. The Group exercised its put option, specifying the final plant purchase price was equal to 1,850,000 EUR. The final negotiations resulted in a net settlement amount of 1,050,000 EUR ($1,535,000 CAD). This agreement settled all outstanding disputed receivables and liabilities as well as the need for significant repairs to the roof of the building. The transfer of ownership and title was executed on March 28, 2024.

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 28, 2024	December 31, 2023
Property, plant and equipment owned	$ 72,963	$ 50,357
Right-of-use asset	17,367	15,484
	$ 90,330	$ 65,841

The Group had acquisitions of property, plant and equipment owned for the nine months ended September 28, 2024, in the amount of $30,886,000 - $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 (2023 – $15,550,000 - $10,917,000 of machinery and equipment and $4,633,000 of land and building).

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		Office Equipment		Total
Balance at January 1, 2024	$	14,707	$	769	$	8	$	15,484
Additions		5,986		306		–		6,292
Depreciation		(3,046)		(289)		(8)		(3,343)
Effects of movement in exchange rates		(1,066)		–		–		(1,066)
Balance at September 28, 2024	$	16,581	$	786	$	–	$	17,367

6. Investments

		September 28, 2024		December 31, 2023
Investment in properties	$	2,848	$	2,940
Investment in convertible debentures		1,300		–
	$	4,148	$	2,940

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 28, 2024 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 $3,698,000 less accumulated depreciation of $2,497,000. The estimated fair value of the property as at September 28, 2024 is 2,130,000 Euros (approximately $3,214,000). 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 DriveTM. SmartD’s products combine motor drives with harmonic mitigating technology that help businesses save energy, lower costs and minimize their carbon footprint.

During 2024 there was an investment of $1,300,000 and is included in Level 3 of the fair value hierarchy, measured at fair value 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.

Three and nine months ended September 28, 2024 and September 30, 2023 (tabular amounts in thousands of dollars except share and per share amounts)

7. Lease and other long-term liabilities

	September 28, 2024	December 31, 2023
Lease liabilities	$ 19,670	$ 16,421
Contingent consideration	843	2,138
	$ 20,513	$ 18,559
Current	$ 6,008	$ 6,388
Non-Current	$ 14,505	$ 12,171

Maturity analysis – contractual undiscounted cash flows	September 28, 2024	December 31, 2023
Less than one year	$ 5,464	$ 5,500
One to five years	13,869	11,838
More than five years	3,917	2,877
Total undiscounted lease liabilities	$ 23,250	$ 20,215
Less: effect of discounting and foreign exchange	$ (3,580)	$ (3,794)
Lease liabilities included in the statement of financial position	$ 19,670	$ 16,421
Current	$ 5,165	$ 4,250
Non-current	$ 14,505	$ 12,171

	Nine Months Ending	
Amounts recognized in statement of operations	**September 28, 2024**	September 30, 2023
Interest on lease liabilities	$ 603	$ 302

	Nine Months Ending	
Amounts recognized in statement of cash flows	**September 28, 2024**	September 30, 2023
Payment of lease liabilities	$ 4,028	$ 2,914

8. Share capital

a) Dividends:

The following dividends were declared and paid by the Company:

	Nine Months Ending	
	September 28, 2024	September 30, 2023
70 cents per Class A common share (2023: 40 cents)	$ 6,388	$ 3,651
70 cents per Class B common share (2023: 40 cents)	1,945	1,112
	$ 8,333	$ 4,763

Three and nine months ended September 28, 2024 and September 30, 2023 (tabular amounts in thousands of dollars except share and per share amounts)

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 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

An expense of $4,378,000 for the three months ended September 28, 2024 and an expense of $9,848,000 for the nine months ended September 28, 2024 was recorded in general and administrative expenses (three months ended September 30, 2023 - $756,000; nine months ended September 30, 2023 - $7,385,000). The liability of $23,584,000 (December 31, 2023 - $13,737,000) related to these DSUs is included in accounts payable and accrued liabilities.

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 ("PSUs") and Restricted Share Units ("RSUs").

The movement in PSUs and RSUs for the nine months ended 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	$ 81.70
Units issued	6,232	4,156	10,388	121.84
Units settled	(26,574)	(17,716)	(44,290)	115.80
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	30,536	96,879	$ 81.70
Units vested	17,989	7,816	25,805	121.84
Units settled	(38,678)	(17,716)	(56,394)	115.80
Vested Balance at September 28, 2024	45,654	20,637	66,290	$ 135.90

An expense of $2,533,000 for the three months ended September 28, 2024 and an expense of $7,707,000 for the nine months ended September 28, 2024 was recorded in general and administrative expenses (three months ended September 30, 2023 - $2,000,000; nine months ended September 30, 2023 – $3,830,000). The liability of $9,009,000 (December 31, 2023 - $7,969,000) related to these PSUs and RSUs is included in accounts payable and accrued liabilities.

For accounting purposes, the grants vest evenly over a three year period. It is assumed that the 2022 and 2023 PSU grants will vest at 150% and the 2024 PSU grant will vest at 100%.

Three and nine months ended September 28, 2024 and September 30, 2023 (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 loss for the three months ended September 28, 2024 was $4,889,000 and nine months ended September 28, 2024 was comprehensive income of $1,272,000 (three months ended September 30, 2023 comprehensive income of $4,664,000; nine months ended September 30, 2023 was $1,748,000 income), of which $1,272,000 (Quarter 3, 2023 – $1,748,000) relates to the translation of wholly-owned subsidiaries, resulting in an ending balance as at September 28, 2024 of accumulated other comprehensive income of $9,902,000 (September 30, 2023 – $14,179,000).

10. Sales

	Three Months Ending		Nine Months Ending	
	September 28, 2024	September 30, 2023	**September 28, 2024**	September 30, 2023
Canada	$ 52,916	$ 41,969	$ 157,070	$ 123,925
United States and Mexico	130,086	129,762	393,994	365,876
India	8,970	7,790	28,800	33,305
	$ 191,972	$ 179,521	$ 579,864	$ 523,106

As at September 28, 2024, the Company had contract liabilities of $7,302,000 (December 31, 2023 - $5,721,000).

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, 2023 - 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, 2023 - 923,802) Class A subordinate voting shares of the Company, representing approximately 4.7% (2023 - 10.1%) of the issued and outstanding Class A subordinate voting shares of the Company and as a result controls the Company. William G. Hammond, Chairman of the Company, owns all of the issued and outstanding shares of Arathorn Investments Inc. Total dividends paid during the quarter, directly and indirectly to William G. Hammond were $881,000, year-to-date were $2,454,000 (three months ended September 30, 2023 $555,000; nine months ended September 30, 2023 $1,485,000).

Three and nine months ended September 28, 2024 and September 30, 2023 (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 Group:

	Nine Months Ending	
	September 28, 2024	September 30, 2023
Accounts receivable	$ (9,053)	$ (38,600)
Inventories	(16,448)	(2,689)
Prepaid expenses	2,004	(720)
Accounts payable and accrued liabilities	(11,280)	4,199
Deferred revenue	1,581	(2,942)
Foreign exchange	3,824	2,993
	$ (29,372)	$ (37,759)

13. Subsequent Event

On October 7, 2024, the Company completed the acquisition of assets and liabilities of Micron Industries Corporation ("Micron") in the U.S. The acquisition is structured as a business combination through the U.S. entity. Micron is involved in the design and manufacture of control transformers as well as low voltage transformers and DC power supplies.

Micron's annual revenues are approximately $23,000 CAD. The Company will operate as HPS Micron Group, LLC, a subsidiary of HPS.

The preliminary purchase price has been allocated as follows:

Accounts receivable	$ 3,335
Inventories and other assets	3,110
Property, plant and equipment	4,675
Intangibles and goodwill	11,260
Assets	$ 22,380
Current liabilities	$ (1,641)
Total purchase consideration	$ 20,739

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Stock Exchange Listing

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

Corporate Officers and Directors

Officers

John Bailey
Chief Operations Officer

Paul Gaynor
Chief Information Officer

David Kinsella
Chief Commercial Officer

Catherine McKeown
Chief People Officer

Adrian Thomas
Chief Executive Officer
& Director

Richard C. Vollering
Chief Financial Officer
& Corporate Secretary

Directors

Dahra Granovsky
Human Resources &
Compensation Member

William G. Hammond
Chair of the Board

Christopher R. Huether
Governance Member

Frederick M. Jaques
Governance Chair

Grant C. Robinson
Lead Director
Audit Member

Anne Marie Turnbull
Human Resources &
Compensation Chair

David Wood
Audit Chair

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