Hammond Power Solutions Inc.

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QUARTER 4, 2018 FINANCIAL RESULTS
(Dollar amounts are in thousands unless otherwise specified)

HIGHLIGHTS

- Record sales
- Growing market share in North America
- Surging booking and backlog levels
- Discontinuance of Italian operation
- Basic earnings per share from continuing operations of $0.69
- 2019 dividend increase

Guelph, Ontario, March 7, 2019 – Hammond Power Solutions Inc. ("HPS") (TSX: HPS.A) a leading manufacturer of dry-type, cast resin transformers, liquid filled and related magnetics, today announced its financial results for the Fourth Quarter of 2018.

FOURTH QUARTER RESULTS

"Our North American business achieved record breaking sales, substantial market growth in both the U.S. and Canada and unprecedented bookings and backlog levels. Unfortunately, late in the year we made the very difficult decision to close our Italian operation following several years of economic and market downturns in Europe as well as sizeable and disproportionate losses. The resulting costs of closing our Italian operation are considerable, however with these behind us, HPS will be a stronger and more profitable company going forward." Bill Hammond Chairman and CEO commented.

The Italian operation is classified and disclosed as discontinued operations in the 2018 financial statements.

Sales from continuing operations for the quarter ended December 31, 2018 were $85,875, an increase of $13,536 or 18.7% from Quarter 4, 2017 sales of $72,339, reflective of increased market activity and market share growth. Year-to-date sales from continuing operations in 2018 were $314,082 as compared to sales of $284,635 in 2017, a significant increase of $29,447 or 10.3%. U.S. sales for Quarter 4, 2018 increased significantly by $8,350 or 18.5% and were $53,387 compared to $45,037 in Quarter 4, 2017. Year-to-date U.S. market sales were $197,860, an increase of $23,272, or 13.4%, compared to 2017 sales of $174,588. Canadian sales were $26,523 for the quarter, an increase of $4,171 or 18.7% from Quarter 4, 2017 sales of $22,352. Year-to-date Canadian sales were $93,641, an increase of $9,316 or 11.0% as compared to sales of $84,325 in 2017. India sales increased in Quarter 4, 2018 finishing at $5,965 versus $5,525 in Quarter 4, 2017, an increase of $440 or 8.0%. On a year-to-date basis, India sales were $22,581 versus $25,722 in 2017, a decrease of $3,141 or 12.2%.

Bookings for continuing operations for the year were very strong. 2018 bookings increased by 7.6% over the prior year - direct bookings increased by 5.9% and bookings in the distributor channel had an increase of 9.3%. The Company's Quarter 4, 2018 bookings increased by 15.7% over Quarter 4, 2017. During the quarter, direct bookings increased 21.8%, while distributor channel bookings grew by 10.2%.

The consolidated gross margin rate from continuing operations in 2018 is 23.2% versus 25.6 % in 2017, a decline of 2.4% of sales. The weakening in margin rates can be attributed to selling price pressures and realization, product mix, volatile and increasing commodity costs and customer mix. Quarterly gross margin rates from continuing operations decreased to 23.4% in Quarter 4, 2018 versus 27.9% in Quarter 4, 2017 as a result of sales mix.

Selling and distribution expenses from continuing operations amounted to $9,446 in Quarter 4, 2018 versus $8,692 in Quarter 4, 2017, an increase of $754 or 8.7%, Year to date selling and distribution expenses from continuing operations were $36,003 for 2018 versus $32,816 in 2017, an increase of $3,187 or 9.7%. On a percentage-of-continuing-sales basis, year-to-date selling and distribution increased slightly to 11.5% of sales in 2018 from 11.3% in 2017.

The general and administrative expenses from continuing operations for Quarter 4, 2018 totaled $4,269, a decrease of $1,290 or 23.2% when compared to Quarter 4, 2017 costs of $5,559 and were $23,153 in 2018 compared to $22,476 for 2017, an increase of $677 or 3.0%. On a percentage-of-continuing-sales basis these costs have decreased from 7.9% in 2017 to 7.4% in 2018.

Earnings from continuing operations were $13,779 in 2018, as compared to earnings of $16,884 in 2017, a decrease of $3,105 or 18.4%. The reduction in year-to-date earnings from continuing operations is a result of the increase in sales negatively impacted by decreased gross margin rates and increased selling and distribution and general and administrative expenses. Quarter 4, 2018 earnings from continuing operations were $6,364 as compared to Quarter 4, 2017 earnings of $5,923 an increase of $441 or 7.4%.

Net finance and other costs have increased $1,396 from $881 in 2017 to $2,277 in 2018, majority of the change, $1,811, relates to uncertainty over collectability of the note receivable. Interest expense from continuing operations for the year-ended December 31, 2018, finished at $614 as compared to $541 in 2017, an increase of $73 or 13.5%.

In Quarter 4, 2018, the Company decided to close the Italian facility and cease operations as the entity struggled to generate adequate sales and profits. The restructuring charges were comprised of severance and benefit costs related to workforce terminations, closure and cancellation costs and write-downs of goodwill, intangible assets, and inventory, totaling $15,925. The closure of the Italian operations has been presented as discontinued operations in the financial statements. The total net loss of the Italian operation for 2018 was $21,022. Removing the 2018 restructuring charges of $16,485, the normalized Italian operating loss for 2018 was $4,537. Removing the 2017 restructuring charges of $570 and the loss on disposition of the VPI business line of $1,022 the normalized Italian operating loss for 2017 was $2,567, a current year increased net loss increase of $1,970.

Net earnings from continuing operations for Quarter 4, 2018 finished at $4,166 compared to net earnings from continuing operations of $3,971 in Quarter 4, 2017, an increase of $195 or 4.9%. The change in the quarter is a result of increased sales, offset by lower gross margin rates and higher selling and administrative expenses. Year-to-date net earnings from continuing operations were $8,105 in 2018 compared to $10,273 in 2017, a decrease of $2,168 or 21.1%. The decline in year-over year earnings is primarily a result of lower gross margins and higher selling and distribution expenses.

The Quarter 4, 2018 basic earnings per share ("EPS") from continuing operations was $0.35 in 2018 and $0.34 in 2017 and the Quarter 4, 2018 basic loss per share was ($1.26) compared an earnings per share $0.05 for Quarter 4, 2017. The basic EPS from continuing operations was $0.69 in 2018 and $0.88 in 2017 and 2018 basic loss per share was ($1.10) compared to a 2017 earnings per share $0.53.

Net cash generated in operations for Quarter 4, 2018 was $4,941 versus $421 in Quarter 4, 2017, an increase of $4,520. Cash provided from operating activities during 2018 was $6,474 versus $1,032 in 2017, an increase in cash generated from operations of $5,442. This increase in cash generated from operating activities was due to decreased working capital usage.

Overall bank lines of credit, net of cash, resulted in net debt of $17,056 as at December 31 2018, an increase of $73 as compared to a net debt balance of $16,983 as at December 31, 2017, primarily reflecting additional working capital requirements.

The Company continued with its regular quarterly dividend program, paying six cents ($0.06) per Class A Subordinate Voting Share of HPS and six cents ($0.06) per Class B Common Share of HPS on December 4, 2018, totaling twenty-four cents ($0.24) per Class A Subordinate Voting Share of HPS and twenty-four cents ($0.24) per Class B Common Share of HPS for the 2018 year.

Mr. Hammond concluded, "We are optimistic about the near future. We are coming out of 2018 with record levels of bookings and sales. As we move into 20l9, we are well positioned in the market-place. I am confident in our ability to continue gaining market share and delivering value for all our stakeholders."

On March 4, 2019, the Company announced an increase in its regular quarterly dividend program to seven cents ($0.07) per Class A Subordinate Voting Share of HPS and seven cents ($0.07) per Class B Common Share of HPS.

FINANCIAL RESULTS

THREE MONTHS ENDED:
(dollars in thousands)

	December 31, 2018	December 31, 2017	Change
Sales	$ 85,875	$ 72,339	$ 13,536
Earnings from Continuing Operations	$ 6,364	$ 5,923	$ 441
Exchange Gain	$ (118)	$ (113)	$ (5)
Net Earnings from Continuing Operations	$ 4,166	$ 3,971	$ 195
Loss from Discontinued Operations	$ (19,026)	$ (3,376)	$ (15,650)
Net (Loss) Earnings	$ (14,861)	$ 595	$ (15,456)
(Loss)/Earnings per Share			
Basic	$ (1.26)	$ 0.05	$ (1.31)
Diluted	$ (1.26)	$ 0.05	$ (1.31)
Basic from continuing operations	$ 0.35	$ 0.34	$ 0.01
Diluted from continuing operations	$ 0.35	$ 0.34	$ 0.01
Cash generated by operations	$ 4,941	$ 421	$ 4,520

TWELVE MONTHS ENDED:
(dollars in thousands)

	December 31, 2018	December 31, 2017	Change
Sales	$ 314,082	$ 284,635	$ 29,447
Earnings from Continuing Operations	$ 13,779	$ 16,884	$ (3,105)
Exchange Gain	$ (127)	$ (137)	$ 10
Net Earnings from Continuing Operations	$ 8,105	$ 10,273	$ (2,168)
Loss from Discontinued Operations	$ (21,022)	$ (4,159)	$ (16,863)
Net (Loss) Earnings	$ (12,917)	$ 6,114	$ (19,031)
(Loss)/Earnings per Share			
Basic	$ (1.10)	$ 0.53	$ (1.63)
Diluted	$ (1.10)	$ 0.53	$ (1.63)
Basic from continuing operations	$ 0.69	$ 0.88	$ (0.19)
Diluted from continuing operations	$ 0.69	$ 0.88	$ (0.19)
Cash generated by operations	$ 6,474	$ 1,032	$ 5,442

Caution Regarding Forward-Looking Information

This press release contains forward-looking statements that involve a number of risks and uncertainties, including statements that relate to among other things, HPS' strategies, intentions, plans, beliefs, expectations and estimates, and can generally be identified by the use of words such as "may", "will", "could", "should", "would", "likely", "expect", "intend", "estimate", "anticipate", "believe", "plan", "objective" and "continue" and words and expressions of similar import. Although HPS believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from expectations include but are not limited to: general business and economic conditions (including but not limited to currency rates); changes in laws and regulations; legal and regulatory proceedings; and the ability to execute strategic plans. HPS does not undertake any obligation to update publicly or to revise any of the forward-looking statements contained in this document, whether as a result of new information, future events or otherwise, except as required by law.

ABOUT HAMMOND POWER SOLUTIONS INC.

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

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

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