



**For Immediate Release: October 26, 2010**

**Hammond Power Solutions Inc.**

**Quarter 3, 2010 Growing Momentum**

**Three months ended:**

(dollars are in thousands)

	<b>October 2, 2010</b>	<b>September 26, 2009</b>	<b>Change</b>
<b>Sales</b>	\$ 47,903	\$43,768	\$4,135
<b>Earnings from Operations</b>	\$2,461	\$2,218	\$243
<b>Exchange Gain / (Loss)</b>	\$125	\$(944)	\$1,069
<b>Net Earnings</b>	\$ 1,497	\$57	\$1,440
<b>Earnings per share</b>			
<b>Basic</b>	.13	.01	.12
<b>Diluted</b>	.13	.01	.12
<b>Cash Provided by Operations</b>	\$7,202	\$5,341	\$1,861

**Nine months ended:**

(dollars are in thousands)

	<b>October 2, 2010</b>	<b>September 26 , 2009</b>	<b>Change</b>
<b>Sales</b>	\$ 142,996	\$146,816	\$(3,820)
<b>Earnings from Operations</b>	\$9,461	\$12,256	\$ (2,795)
<b>Exchange Gain / (Loss)</b>	\$166	(2,584)	\$2,750
<b>Net Earnings</b>	\$6,122	\$4,771	\$1,351
<b>Earnings per share</b>			
<b>Basic</b>	.53	.41	.12
<b>Diluted</b>	.53	.41	.12
<b>Cash Provided by Operations</b>	\$10,699	\$15,359	\$(4,660)

**Guelph**, Ontario, October 26, 2010 - Hammond Power Solutions Inc., ("HPS") (TSX: HPS.A) today announced results for the Third Quarter 2010.



"As we move into the last months of the year, it is becoming more and more apparent, at least in the markets we serve that the likelihood of a double-dip recession is fading. This is reflected in our Third Quarter results where our sales numbers continue to show positive momentum compared to the same quarter in 2009, as well as to the first half of this year." commented Bill Hammond, Chairman & Chief Executive Officer of Hammond Power Solutions Inc.

The Company delivered a significant increase in sales in the quarter. Sales for Quarter 3, 2010 were \$47,903, an increase of \$4,135 or 9.4% from the comparative quarter last year, and are lower by \$3,820 or 2.6% year-to-date, finishing at \$142,996 compared to \$146,816 last year. The year to date difference was due to the impact of backlog carryover from 2008 into 2009, which resulted in the abnormally large first quarter in 2009, and the economic recession which was just starting to impact the industry.

"HPS continues to expand its footprint in the North American electrical market, especially in the U.S. distributor channel and some of our traditional engines of growth have picked up in activity over the last six months. This would include the mining and oil drilling sectors, export oriented OEM customers, as well as funding to replace and repair our aging public infrastructure. Our sales growth strategies along with slightly improved market conditions have produced healthy booking rates this quarter." Bill Hammond further stated.

Quarter 3, 2010 gross margin dollars increased by \$1,391 or 13.9% compared to Quarter 3, 2009. Gross margin rates finished at 23.8% versus 22.9% in Quarter 3, 2009 and were 25.1% for the year compared to 26.2% in 2009 down 1.1% of sales. Quarter 3, 2010 gross margin rates were hampered by a 4.6% stronger Canadian dollar as compared to Quarter 3, 2009. This negatively impacts gross margin rates on Canadian manufactured products sold in the United States. The Company continues to experience negative selling price pressures from many competitors due to the available excess capacity in the industry.

Mr. Hammond further commented, "We will continue to combat margin rate deterrents through productivity and lead time improvements, and cost reductions throughout the organization. These actions will help improve margin rates."

Total selling, general and administrative ("SG&A") expenses amounted to \$8,962 in Quarter 3, 2010 versus \$7,814 in Quarter 3, 2009, an increase of \$1,148 or 14.7% and were relatively flat finishing at \$26,406 year-to-date versus \$26,227 in 2009, an increase of \$179 or 0.7%.

The Quarter 3, 2010 earnings from operations increased by \$243 or 11.0% from the same quarter last year, finishing at \$2,461 in the quarter, as compared to \$2,218 in Quarter 3, 2009. On a year-to-date basis results were lower by \$2,795 or 22.8% finishing at \$9,461 compared to \$12,256 for the same period last year. Earnings from operations for the quarter and the year were hampered by the detrimental effects of a higher Canadian dollar on resale margins in the United States and gross margin rate decline resulting from competitive pricing pressure, costs associated with excess manufacturing capacity and lower year-to-date sales volumes.

The effectiveness of the Company's hedging strategy has significantly reduced its U.S. dollar Balance Sheet translation exposure. The foreign exchange gain in Quarter 3, 2010 was \$125 compared to a foreign exchange loss of \$944 in Quarter 3, 2009 and there was a year-to-date foreign exchange gain of \$166 compared to a loss of \$2,584 in 2009. The majority of the foreign exchange gains and losses are as a result of realized and unrealized gains and losses from U.S. Balance Sheet translation and the Company's settled U.S. dollar hedge contracts.



As a result of the increase in income before income tax in Quarter 3, 2010, income tax expense was \$1,038 as compared to \$1,129 in Quarter 3, 2009, and was \$3,321 year-to-date, versus \$4,675 last year a decrease of \$1,354.

The Company reported a significant increase in its net earnings in the quarter as compared to last year. As a result of increased sales and higher margin dollars and lower income taxes net earnings for Quarter 3, 2010 increased by \$1440, concluding at \$1,497 compared to \$57 in Quarter 3, 2009, and was \$6,122 year-to-date versus \$4,771 last year a boost of \$1,351 or 28.3%.

Cash provided by operations for Quarter 3, 2010 was \$7,202 versus \$5,341, in Quarter 3, 2009, an increase of \$1,861. Cash provided by operations year-to-date, was \$10,699 versus cash provided by operations of \$15,359 in 2009, a decrease in cash provided by operations of \$4,660.

Net overall bank operating lines of credit and long-term debt, net of cash balances was a \$16,030 cash balance as at October 2, 2010, an increase of \$14,704 when compared to a cash balance of \$1,326 as at September 26, 2009. This increase can be attributed to increased net income, and reduced working capital requirements.

Mr. Hammond concluded, "It is clear that the economic recovery is much slower and less robust than previous economic recoveries and that the feeling of uncertainty remains high. Through all of this we continue to manage the Company in a conservative manner while investing prudently in longer term strategic projects. Our plans and actions that we have implemented during the past recession, to broaden our market and channel coverage, will result in greater growth going forward."

Hammond Power Solutions Inc. will hold a conference call on **Wednesday, October 27, 2010 at 10:00 a.m. EST**, to discuss the Company's financial results for the Third Quarter 2010.

**The dial in number for the live audio call is:**

**Participant dial-in number(s)**

Local access: 416-340-2216  
Toll Free access: 866-226-1793

**Instant replay Access Information:**

Local access: 416-695-5800  
Toll Free access: 800-408-3053  
Pass code: 1848255

**Caution Regarding Forward-Looking Information**



This press release contains "forward-looking information" within the meaning of applicable securities laws. The forward-looking information contained in this press release is subject to known and unknown risks, uncertainties and other factors that are not within the control of HPS. Generally, this forward-looking information can be identified by the use of forward-looking terminology such as "outlook", "anticipate", "project", "target", "believe", "estimate", "expect", "intend", "should", "scheduled", "will", "plan" and similar expressions. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause HPS's actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information and developed based on assumptions about such risks, uncertainties and other factors set out herein.

A discussion of factors that may affect HPS' actual results, performance, achievements or financial position is contained in the filings by HPS with the Canadian securities regulatory authorities, including HPS' Annual Information Form. This list is not exhaustive of the factors that may affect our forward-looking information. These and other factors should be considered carefully and readers should not place undue reliance on such forward-looking information. HPS disclaims any intent or obligations to update or revise publicly any forward-looking statements whether as a result of new information, estimates or options, future events or results or otherwise, unless required to do so by law.

#### About Hammond Power Solutions Inc.

Hammond Power Solutions Inc., ("HPS" or the "Company") is the North American leader for the design of custom electrical engineered magnetics as well as the leading manufacturer of standard electrical dry type transformers. Advanced engineering capabilities, high quality products and fast responsive service to customers' needs have established the Company, as a technical and innovative leader in the electrical and electronic industries. The Company has manufacturing plants in Canada, the United States and Mexico.

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