



For Immediate Release: October 20, 2006

HAMMOND POWER SOLUTIONS INC.

Quarter 3, 2006 Earnings Climb 90%

Three months ended:

	<u>September 30, 2006</u>	<u>October 1, 2005</u>	<u>Change</u>
Sales	\$33,397,000	\$24,678,000	\$ 8,719,000
Earnings from Operations	\$ 3,125,000	\$ 1,719,000	\$ 1,406,000
Net Earnings	\$ 1,815,000	\$ 957,000	\$ 858,000
Earnings per Share			
Basic	\$ 0.16	\$ 0.08	\$ 0.08
Diluted	\$ 0.16	\$ 0.08	\$ 0.08

Nine months ended:

	<u>September 30, 2006</u>	<u>October 1, 2005</u>	<u>Change</u>
Sales	\$95,132,000	\$71,414,000	\$23,718,000
Earnings from Operations	\$ 7,902,000	\$ 4,743,000	\$ 3,159,000
Gain on Sale of Surplus Property	\$ 0	\$ 374,000	\$ (374,000)
Net Earnings	\$ 4,325,000	\$ 2,423,000	\$ 1,902,000
Earnings per Share			
Basic	\$ 0.38	\$ 0.21	\$ 0.17
Diluted	\$ 0.38	\$ 0.21	\$ 0.17

Guelph, Ontario, October 20, 2006 - Hammond Power Solutions Inc., (HPS) (TSX:HPS.A) today announced results for the Third Quarter 2006:

Sales for the quarter ended September 30, 2006, were \$33,397,000 up \$8,719,000, or 35.3% from the comparative quarter last year, and increased 33.2% year-to-date, finishing at \$95,132,000 for nine months compared to \$71,414,000 for the same period last year. The Company's growth in its strategic market segments and increased penetration in the electrical distributor channel in both Canada and the United States lead to an increase in sales for the quarter.

Mr. W. G. Hammond, Chairman & CEO stated, "The Company continues to gain sales momentum by concentrating on its strategic target markets, and benefiting from the positive market conditions in both the U.S. and Canadian electrical industries, resulting in elevated booking rates and backlog levels, growing sales, and solid financial performance. The North American Electrical Distributor, drive systems, mining equipment, and oil and gas pumping markets in both Canada and the United States all showed double digit growth in the quarter."

Gross margin rates finished at 26.5% versus 26.6% in Quarter 3, 2005, and were 26.1% year-to-date versus 26.7% last year. Quarter 3, 2006, gross margin dollars further increased as a result of the higher sales levels, a more favorable product mix and realized selling price increases.

"As anticipated, the strengthening Canadian dollar continues to impact our margin rates. However, we have been addressing this situation, aggressively counterbalancing it with many sales-development, cost-reduction and efficiency-improvement initiatives" Mr. Hammond added.

The Company continues to make steady advances in earnings from operations. This is evidenced by the Quarter 3, 2006 results, which were up \$1,406,000, or 81.8% from the same quarter last year, finishing at \$3,125,000 in the quarter, as compared to \$1,719,000 in Quarter 3, 2005. Earnings from operations were \$7,902,000 on a year-to-date basis, up \$3,159,000 or 66.6% from the \$4,743,000 for the same period last year.

As a result of increased sales and higher margin dollars, net earnings for Quarter 3, 2006, grew by \$858,000 or 89.7%, concluding at \$1,815,000 compared to \$957,000, in Quarter 3, 2005, and were up \$1,902,000 or 78.5%, finishing at \$4,325,000 year-to-date versus \$2,423,000 last year.

Cash provided by operations for Quarter 3, 2006, was \$2,162,000 versus \$2,454,000, in Quarter 3, 2005, a decrease of \$292,000. Cash provided by operations year-to-date was \$2,090,000 versus \$1,372,000, in 2005, an improvement in cash provided by operations of \$718,000 or 52.3%.

Overall bank indebtedness dropped to \$5,277,000 as at September 30, 2006, a decrease of \$2,758,000 or 34.5%, as compared to \$7,985,000 as at October 1, 2005.

Mr. Hammond stated, "This is indeed an exciting time at Hammond Power Solutions Inc. We are proud of our 2006 financial performance to date and we remain focused on advancing our market leadership position through sales-development, cost-reduction and efficiency-improvement initiatives, thereby enabling us to deliver strong, consistent financial results."

About Hammond Power Solutions Inc.

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

FOR FURTHER INFORMATION PLEASE CONTACT:

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