



For Immediate Release: October 18, 2007,

**HAMMOND POWER SOLUTIONS INC.**

**Third Quarter 2007, Profits Rise 64%**

**Three months ended:**

	<u>September 29, 2007</u>		<u>September 30, 2006</u>		<u>Change</u>
Sales	\$	40,995,000	\$	33,397,000	\$ 7,598,000
Earnings from Operations	\$	4,108,000	\$	3,125,000	\$ 983,000
Net Earnings	\$	2,983,000	\$	1,815,000	\$ 1,168,000
<b>Earnings per Share</b>					
Basic	\$	0.26	\$	0.16	\$ 0.10
Diluted	\$	0.26	\$	0.16	\$ 0.10

**Nine months ended:**

	<u>September 29, 2007</u>		<u>September 30, 2006</u>		<u>Change</u>
Sales	\$	122,399,000	\$	95,132,000	\$ 27,267,000
Earnings from Operations	\$	14,471,000	\$	7,802,000	\$ 6,569,000
Net Earnings	\$	9,688,000	\$	4,325,000	\$ 5,363,000
<b>Earnings per Share</b>					
Basic	\$	0.84	\$	0.38	\$ 0.46
Diluted	\$	0.83	\$	0.38	\$ 0.45

**Guelph, Ontario, October 18, 2007** - Hammond Power Solutions Inc., (HPS) (TSX: HPS.A) today announced results for the Third Quarter 2007:

Sales for the quarter ended September 29, 2007, were \$40,995,000 up \$7,598,000, or 22.8% from the comparative quarter last year, and are up \$27,267,000 or 28.7% year to date, finishing at \$122,399,000 compared to \$95,132,000 last year.

"HPS continues to benefit from the strong demand for transformers by OEM's who build equipment and systems that are being shipped abroad, as well as being used in the oil pumping, mining and alternative energy sectors", said Bill Hammond, Chairman & CEO of Hammond Power Solutions Inc (HPS).

Quarter 3, 2007, gross margin dollars further increased as a result of our increased sales levels, cost reduction initiatives and a more favourable product mix. Gross margin rates finished at 27.9% versus 26.5% in Quarter 3, 2006, an increase of 1.4% and were 29.1% for the year compared to 26.1% in 2006, up 3.0%.

Mr. Hammond further commented "The Company continues to implement a number of initiatives to help counter-balance the negative impact of the strengthening Canadian dollar on its gross margin rates. We have been successful in improving our margin levels throughout the year as a result of product redesign, material cost reductions, sales growth in higher margin products, and increased manufacturing throughput."

Earnings from operations increased \$983,000, or 31.5% from the same quarter last year, finishing at \$4,108,000 in the quarter, as compared to \$3,125,000 in Quarter 3, 2006. Earnings from operations were \$14,471,000 on a year to date basis, up \$6,569,000 or 83.1% from the \$7,902,000 for the same period last year.

Net earnings for Quarter 3, 2007, grew by \$1,168,000, or 64.4%, finishing at \$2,983,000 compared to \$1,815,000, in Quarter 3, 2006 due to increased sales and higher margin dollars, and were up \$5,363,000 or 124.0%, finishing at \$9,688,000, year to date versus \$4,325,000 last year.

Cash provided by operations for Quarter 3, 2007 was \$2,219,000, versus \$2,162,000, in Quarter 3, 2006, an increase of \$57,000. Cash provided by operations year to date, was \$426,000, versus \$2,090,000 in 2006, an increase in cash used by operations of \$1,664,000.

Overall bank operating lines of credit and long term debt, net of cash balances dropped to \$1,045,000, as at September 29, 2007, a decrease of \$4,182,000 or 80.0% as compared to a balance of \$5,227,000 as at September 30, 2006.

Mr. Hammond concluded, "We look forward with guarded optimism given our strong position in markets that benefit from continued global demand for resources and electrical equipment as well as our ability to grow our market share through channel expansion. The Company is making significant capital investment in the areas of capacity expansion and continuous productivity improvement. The Company remains focused on minimizing the negative impact of future economic risks and will strengthen its position through diversification of its core business, market channel expansion, geographic diversity of its operations and business hedging strategies."

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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