



For Immediate Release: October 16, 2009

**Hammond Power Solutions Inc.**  
**Reports Results for Quarter 3, 2009**

**Three months ended:**

(dollars in thousands)

	<b>September 26, 2009</b>	<b>September 27, 2008</b>	<b>Change</b>
<b>Sales</b>	\$ 43,768	\$ 57,940	\$ (14,172)
<b>Earnings from Operations</b>	\$ 2,218	\$ 6,483	\$ (4,265)
<b>Exchange gain / (loss)</b>	\$ (944)	\$ 84	\$ (1,028)
<b>Net Earnings</b>	\$ 57	\$ 4,335	\$ (4,278)
<b>Earnings per share</b>			
<b>Basic</b>	.01	.37	(.36)
<b>Basic- (1)</b>	.19	-	-
<b>Diluted</b>	.01	.37	(.36)

**Nine months ended:**

(dollars in thousands)

	<b>September 26, 2009</b>	<b>September 27, 2008</b>	<b>Change</b>
<b>Sales</b>	\$ 146,816	\$ 161,232	\$ (14,416)
<b>Earnings from Operations</b>	\$ 12,256	\$ 17,559	\$ (5,303)
<b>Exchange gain / (loss)</b>	\$ (2,584)	\$ 338	\$ (2,922)
<b>Net Earnings</b>	\$ 4,771	\$ 13,078	\$ (8,307)
<b>Earnings per share</b>			
<b>Basic</b>	.42	1.12	(.70)
<b>Basic - (1)</b>	.70	-	-
<b>Diluted</b>	.42	1.11	(.69)

(1) adjusted for foreign exchange gains and losses from U.S. Balance Sheet translation

**Guelph, Ontario, October 16, 2009;** Hammond Power Solutions Inc., (HPS) (TSX: HPS.A) today announced results for the Third Quarter 2009.



Hammond Power Solutions Inc. Quarter 3, 2009 results were negatively impacted by global economic conditions as well as foreign exchange losses. The majority of the foreign exchange gains and losses were a result of realized and unrealized gains and losses from U.S. Balance Sheet translation which was \$2,087 for Quarter 3 2009 and \$3,321 YTD 2009.

"When reviewing the results of HPS, the non-operational foreign exchange hit reduced our bottom line substantially. Had it not been for this, our adjusted basic earnings per share would have been 19 cents in the quarter and 70 cents year to date." Bill Hammond, Chairman & Chief Executive Officer of Hammond Power Solutions Inc stated.

Sales for the quarter ended September 26, 2009 were \$43,768 down \$14,172 or 24.5% from the comparative quarter last year, and are lower by \$14,416 or 8.9% year-to-date, finishing at \$146,816 compared to \$161,232 last year.

"Our decline in sales has been the result of a weak global economy and steep decline in bookings during the second quarter. Nonetheless, HPS is well positioned and is taking additional actions to benefit from the economic recovery that is forecasted over the coming quarters. The summer months were also much slower than usual as many companies implemented plant shutdowns and shortened work weeks in response to weak industrial and commercial demand in both Canada and the United States. In addition, a number of projects originally scheduled for the last two quarters were delayed by our customers as a result of tight credit conditions as well as soft demand for oil and gas." said Bill Hammond, Chairman & Chief Executive Officer of Hammond Power Solutions Inc.

Quarter 3, 2009 gross margin dollars decreased by 35.8% compared to Quarter 3, 2008. Gross margin rates finished at 22.9% versus 27.0% in Quarter 3, 2008, and were 26.2% for the year compared to 27.6% in 2008 down 1.4%. Third Quarter 2009, gross margin dollars decreased as a result of lower sales levels, due to the current economic conditions. Margin rates in the quarter were negatively impacted by a lower U.S. dollar to Canadian dollar exchange rate, plus a reduction in capacity utilization.

Mr. Hammond commented, "The Company is continuing to navigate through these unfavourable gross margin rate deterrents through its engineering and material procurement cost reduction initiatives, product development, responsive custom design capabilities, and by maximizing margin rates through servicing short lead-time order opportunities. The Company is focused on productivity improvement and cost reduction throughout the organization."

Total selling, general and administrative ("SG&A") expenses amounted to \$7,814 in Quarter 3, 2009 versus \$9,138 in Quarter 3, 2008, a decrease of \$1,324 or 14.5% and were \$26,227 year-to-date versus \$26,998 in 2008, a decrease of \$771 or 2.9%.

The net foreign exchange loss in Quarter 3, 2009 was \$944 compared to a foreign exchange gain of \$84 in Quarter 3, 2008 and there was a year-to-date foreign exchange loss of \$2,584 compared to a gain of \$338 in 2008. 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.

Earnings from operations for the quarter continue to be battered by the significant impact of U.S. dollar translation exchange losses, lower sales and lower gross margin rates. Quarter 3, 2009 earnings from operations were down \$4,265 or 65.8% from the same quarter last year, finishing at \$2,218 in the quarter, as compared to \$6,483 in Quarter 3, 2008. On a year-to-date basis results were lower by \$5,303 or 30.2% finishing at \$12,256 compared to \$17,559 for the same period last year.



Quarter 3, 2009 income tax expense was \$1,129 as compared to \$2,150 in Quarter 3, 2008, and was \$4,675 year-to-date, versus \$6,588 last year a decrease of \$1,913. The percentage of tax booked on earnings before income taxes is distorted by the impact of Balance Sheet translation losses of \$2,087 for Quarter 3, 2009 and \$3,321 year to date which are not tax effected.

As a result of decreased sales, lower margin dollars, and foreign exchange losses net earnings for Quarter 3, 2009, were lower by \$4,278 or 98.7%, concluding at \$57 compared to \$4,335 in Quarter 3, 2008, and was down \$8,307 or 63.5%, finishing at \$4,771 year-to-date versus \$13,078 last year. Net earnings for the quarter were negatively impacted by our U.S. Balance Sheet translation loss of \$944 and the continued impact of the recession.

Cash provided by operations for Quarter 3, 2009 was \$5,341 versus \$3,735, in Quarter 3, 2008, an increase of \$1,606. Cash provided by operations year-to-date, was \$15,359 versus cash used by operations of \$1,268 in 2008, an increase in cash provided by operations of \$16,627.

Net overall bank operating lines of credit and long-term debt, net of cash balances was a \$1,326,000 cash balance as at September 26, 2009, a decrease of \$11,210 or 113.4% as compared to a balance of \$9,884 as at September 27, 2008.

Mr. Hammond concluded, "As the year comes to a close, we are cautiously optimistic that we have passed through the worst of what is turning out to be the deepest recession in recent memory. Overall economic activity as well as bookings has increased over the last two months. Although business conditions are slowly improving, we are cognizant about the risks and uncertainty at this very early stage of the economic recovery. Given the severity of this global recession and its devastating impact on the U.S. economy, it is understandable that recovery will be slow. Nonetheless HPS is strong financially and well positioned in its markets as well as its channels to weather the expected ups and downs over the next year."

**Hammond Power Solutions Inc. will hold a conference call on Monday, October 19, 2009 to discuss the Company's financial results for the third quarter 2009.**

The dial in number for the live audio call beginning on Monday, October 19, 2009 at 10:00 a.m. Eastern is:

Local access: 416-340-8018  
Toll Free access: 866-223-7781

**Instant replay Access Information:**

Local access: 416-695-5800  
Toll Free access: 800-408-3053  
Pass code: 7713677  
Expiry date: November 2, 2009

**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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