

HAMMOND POWER SOLUTIONS INC.

ANNUAL INFORMATION FORM

THE COMPANY

The Company was incorporated in 2000 as the result of a reorganization of Hammond Manufacturing Company Limited. The reorganization, to split Hammond Manufacturing Company Limited into two publicly traded companies, was implemented effective January 1, 2001. **The dry-type transformer business was spun-off into Hammond Power Solutions Inc. (HPSI)** and the enclosure and rack businesses continued as Hammond Manufacturing Company Limited (HMCL). The oil filled distribution transformer business of Moloney was also transferred into a separate company, Moloney Electric Inc., which is now owned by HPSI and HMCL (45% each) with the senior management owning the remaining 10% of the shares. The surplus property in Georgetown, Ontario is also jointly owned by HPSI and HMCL.

Hammond Manufacturing Company Limited, the predecessor company was founded in 1917 under the name of O.S. Hammond and Son and was incorporated as Hammond Manufacturing Company Limited ("Hammond" or the "Company") in 1944 by letters patent under the laws of Ontario, Canada, and continued through amalgamations, the last of which occurred on January 1, 1999.

HPSI's principal and registered office is located at:

595 Southgate Drive, Guelph, Ontario, N1G 3W6

Phone : # (519) 822-2441

fax : # (519) 822-4366

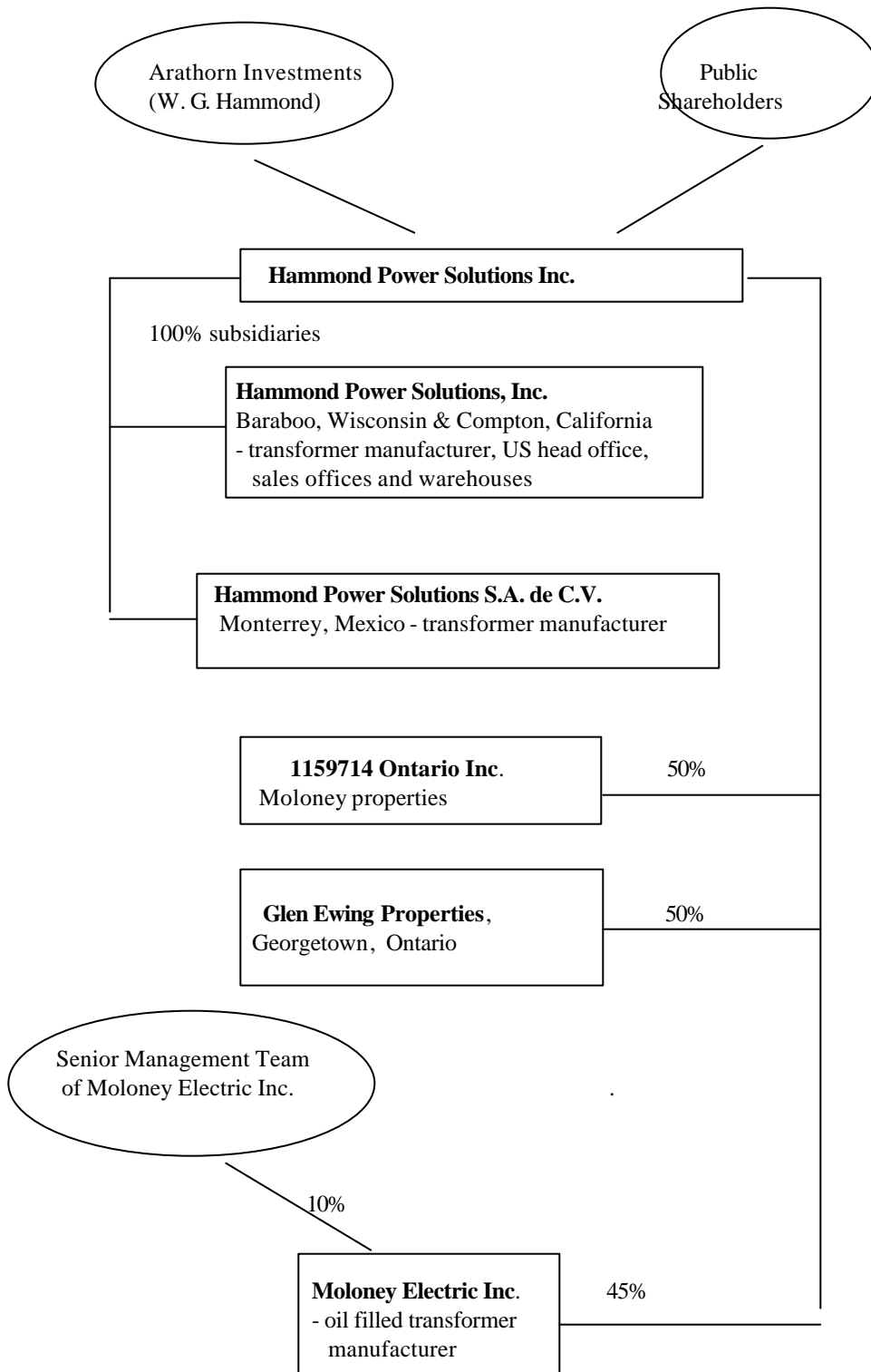
email : ir@hammondpowersolutions.com.

Website : www.hammondpowersolutions.com

HPSI trades on the Toronto Stock Exchange; symbol - HPS.SV.A.

The corporate chart on the next page outlines the corporate structure for HPSI.

CORPORATE STRUCTURE



GENERAL

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The Company manufactures a wide range of custom and stock dry type transformers and wound magnetic products for the electrical and related industries. The Company, and through the predecessor company, Hammond Manufacturing Company Limited, has been designing and building transformers for over 75 years. Transformers and related products (often referred to as magnetics) typically include equipment employing magnetic or electrical fields as a functioning principle. Transformers alter the voltage of electrical current. They are generally an assembly of wound coil of electrical grade wire, electrical insulation, mountings and a magnetic path of grain-oriented iron or alloy cores.

Dry type transformers and related products ranging in size from 12 volts to 34,000 volts, with sizing up to 35 MVA and 200 kVBIL are designed and manufactured at plants in Guelph and Walkerton, Ontario; Monterrey, Mexico; and Compton, California.

Electrical transformers are used for stepping down voltages for distribution of electricity for commercial, industrial or residential use. The transformer industry may be broken down as follows:

<u>Application</u>	<u>Range of Sizes</u>	<u>Typical End User</u>
Transmission	Over 34,500 volts	Electrical utilities
Distribution	1,200 to 34,500 volts	Local power companies
Distribution & Control	12 to 600 volts	Commercial, industrial, residential users and OEMs

Dry-type transformers use insulation mediums other than oil and are therefore more environmentally friendly and better suited for higher risk fire areas. Virtually all transformers installed indoors, up to 34,500 volts, are dry-type transformers as they are more cost effective and have lower associated fire risks. With the development of new insulation materials, the physical size of dry-type transformers is being reduced while the power transmitting capacity (as measured in volts) is increasing.

In addition, through its 45% investment in Moloney Electric Inc., HPSI will continue to service the utility market with oil filled (pole and pad-mounted) distribution transformers. Moloney Electric Inc. operates plants in Toronto, Ontario; Spruce Grove, Alberta; and Sackville, New Brunswick.

DEVELOPMENT OF THE BUSINESS

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Moloney Electric Inc. The Moloney manufacturing operations were transferred to Moloney Electric Inc. effective January 1, 2001 and are owned by Hammond Power Solutions Inc. and Hammond Manufacturing Company Limited (45% each) and the senior management team of Moloney (10%); the “senior management team” shares are being acquired through interest free loans; repaid in the amount of not less than 8% of the initial principal amount in each calendar year. The properties related to the Moloney operations (Sterling Rd. Toronto, Ontario; Sackville, New Brunswick; and Spruce Grove, Alberta) are held by 1159714 Ontario Inc., which are jointly owned by HPSI and hmcl.

Hammond Power Solutions S.A. de C.V. The newest plant, which started production in mid 2001, is located in Monterrey, Mexico and was designed and built to support the growing, yet very competitive, commercial and industrial market for general purpose distribution transformers. Experienced HPSI employees were utilized in the set-up and training of the staff in Monterrey to ensure the product met the level of quality and workmanship, which our worldwide customers have come to expect from HPSI.

Hammond Power Solutions, Inc. announced on January 2, 2002 that the Company would begin a process for the phased closure of the manufacturing operations at the plant in Baraboo, Wisconsin. The facility continues to function as the US head office, warehouse and sales office. The decision to close the manufacturing operations was the result of the severe downturn in the global economy and specifically in the electrical industry through the collapse of the Internet infrastructure market as well as the pronounced slowdown in the commercial and industrial construction markets.

MANUFACTURING METHODS

The manufacturing of transformers involves the winding of copper and aluminum magnet wire on coil forms, the insertion of the core after it is encapsulated or impregnated in epoxy or polyester varnishes and the mounting of the core and coil assembly in a housing. In the performance of these tasks, HPSI uses automated winding machines, core cutters and welders and testers including machines with programmable controls.

Hammond Power Solutions employs engineers and technicians to ensure that its products are technologically current and to engineer customized products. The Company's products require a high level of engineering in the design, manufacturing and testing, in order to differentiate them in the marketplace and to improve manufacturing efficiencies. Hammond Power Solutions has invested in staff development and equipment employing the latest technologies. These investments allow the Company to compete for contracts which other industry participants may not be able to perform. The Company's growth was supported by our product development and our ability to provide short lead-time product design and manufacturing.

SALES AND MARKETING

Hammond Power Solutions employs a small direct sales force and has a number of non-exclusive, independent sales agencies. The Company has sales representatives in Vancouver, British Columbia, Guelph and Toronto, Ontario; and Montreal, Quebec in Canada; and Baraboo, Wisconsin and Compton, California in the United States.

HPSI serves three primary markets – OEM's (original equipment manufacturers), capital projects and MRO's (maintenance, repair and overhaul market). Each of these three major markets consists of a wide range of sub-markets. Some of the largest markets, served by HPSI, include transformers for power conditioning, crane and hoist manufacturers, mining equipment, drive systems, motor control, internet switching and power systems, oil pumping equipment and power distribution equipment. Over the last few years, HPSI has become an important transformer supplier to many of the biggest electrical equipment manufacturers in the world. These companies include General Electric, Siemens, Schneider, Rockwell, ABB, Eaton Cutler Hammer, Harnischfaeger, Bucyrus International, Cordyne and Dan Foss.

In 2004, no single customer accounted for more than 10% of the Company's sales, while the ten largest customers accounted for approximately 27% of sales.

Hammond Power Solutions sales are spread broadly among many markets and industries. In 2004, approximately 64% of sales were in the U.S. and offshore, of which 36% is manufactured in the U.S. and Mexico.

COMPETITION

HPSI faces competition from a large number of transformer manufacturers. Most of these competitors tend to be quite small in size and geographically or customer focused. According to past industry survey, approximately 60% of those companies included in the survey had sales of less than \$10 million (U.S.). Other competitors include large companies, such as, Asea Brown Boveri Inc., Westinghouse, General Electric, Schneider and Acme Electric Corporation and others who have substantially greater resources than the Company.

The Company has developed and acquired a number of key competitive advantages. These include the broadest product capabilities as well as the most engineering resources of any of the

transformer company competitors. The Company is one of a few, which have strong manufacturing capabilities in both the standard and custom transformer business.

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HUMAN RESOURCES

The Company has approximately 480 employees consisting of approximately 23% salaried staff and 77% hourly workers. The majority of the Company's hourly workers are members of associations within their individual plants.

Management characterizes the Company's labour relations as excellent and there has not been a work stoppage at Hammond Power Solutions.

HPSI has defined contribution pension plans that are available to most employees. The Company's contribution matches the contribution of the eligible employees, who can contribute between 2-4% of their annual earnings.

TRADEMARKS AND LICENSES

The Company markets substantially all its products under the registered trade-name "Hammond Power Solutions Inc." which the Company believes is significant in the marketing of its products. The Company also utilizes certain patents in the manufacture of its products. Management believes these patents are useful, but not material to the Company's business taken as a whole.

RAW MATERIALS

Raw materials for the Company's products consist primarily of metal products of various types, shapes and sizes, and other manufacturing components. The Company purchases its raw materials from many suppliers and is not dependent on any single supplier for any of its raw materials. Certain of the raw materials used by the Company, such as, copper, steel and aluminum, are subject to market price fluctuations, which can be substantial. The Company is not committed to, nor does it have rights under, any long-term supply contracts for these materials.

FACILITIES

Hammond Power Solutions Inc., operates five manufacturing and/or distribution facilities of which two are located in Canada (Guelph and Walkerton, Ontario) and two in the US (Baraboo, Wisconsin - the U.S. head office, and Compton, California) and one in Mexico (Monterrey). The Company's manufacturing and corporate services facilities contain a total of approximately 200,000 square feet of space of which approximately 70,000 square feet are leased.

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INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS

William G. Hammond, Chairman & CEO, a director and shareholder of the Corporation, controls Arathorn Investments Inc., which is the major holder of shares of the Corporation through which it exercises voting control.

RESEARCH AND DEVELOPMENT

The Company spends in the range of \$100,000- \$200,000 per annum on development activities. The projects relate primarily to product development, searching for improvements in efficiencies and quality through raw material and process changes.

ENVIRONMENTAL ISSUES

The environmental issues are adequately covered in the Annual Report in the "Notes to the Consolidated Financial Statements": see Note 4 (b)b (ii), 5 (b), 21 and in "Management Discussion and Analysis" on page 9 of the Annual Report.

DIRECTORS AND OFFICERS

DIRECTORS:

**Name/Residence/Principal
Occupation/Employment or
Business Past 5 Years**

**Director
Since**

WILLIAM G. HAMMOND

January 2001

Guelph, Ontario

Chairman and Chief Executive Officer of the Corporation

Formerly Director and President of Hammond

Manufacturing Company Limited (transformer & enclosure
manufacturer)

ZOLTAN D. SIMO

Toronto, Ontario
Company Director

January 2001

DOUGLAS V. BALDWIN

Gormley, Ontario
President, AMPCon Inc.
Formerly President & CEO
Electro-Federation of Canada

March 2004

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DIRECTORS AND OFFICERS (continued)
DIRECTORS:

**Name/Residence/Principal
Occupation/Employment or
Business Past 5 Years**

**Director
Since**

DONALD H. MACADAM

Port Dover, Ontario
President A360 Inc.

May 2001

FRANCIS A. RAFTIS

Guelph, Ontario
President
Hammond Power Solutions Inc.
Formerly President - Transformer Group of
Hammond Manufacturing Company Limited
(transformer & enclosure manufacturer)

May 2001

The **Audit Committee and Compensation Committees** are comprised solely of the three unrelated Directors. All Directors are members of the **Corporate Governance Committee**.

OTHER OFFICER / SENIOR MANAGEMENT: employed by the Company for over five years.

Chris R. Huether, Vice President Finance and Secretary

NOTES OF SHAREHOLDINGS OF DIRECTORS (as at the date hereof)

William G. Hammond beneficially owns 250,390 Class A Subordinate Voting Shares of the

Corporation directly. In addition, William G. Hammond beneficially owns all the outstanding shares of Arathom Investments Inc., which beneficially owns 748,110 Class A Subordinate Voting Shares and 2,778,300 Class B Common Shares of the Corporation directly.

The information, as to shares beneficially owned by the directors, not being within the knowledge of the Corporation, has been furnished by the respective directors.

Selected Consolidated Financial Data - Attached Schedule A.

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Management's Discussion and Analysis of Financial Condition and Results of Operations

Information is included on pages 6-11 of Hammond Power Solutions Inc. 2004 Annual Report to Shareholders.

ADDITIONAL INFORMATION

Additional information, including directors and officer's remuneration and indebtedness, principal holders of the securities and interests of insiders in material transactions, is contained in the Information Circular for the 2005 Annual Meeting of shareholders

The foregoing, together with any information incorporated by reference, contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated herein in accordance with the requirements of this Annual Information Form or that is necessary to make a statement contained herein not misleading in light of the circumstances in which it was made.

William G. Hammond

Chairman & CEO

Chris R. Huether

Vice President & Secretary

March 18, 2005

Schedule A

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected financial data of The Company, as it relates to the five years ended December 31, is derived from the audited consolidated statements of The Company.

	Years ended December 31				
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Income Statement Data	\$000's, except per share amounts				Note 1 & 2
Sales	\$81,349	\$73,408	\$75,170	\$86,566	\$83,375
Gross Profit - \$	21,109	17,277	17,679	18,801	
- %	26.0%	23.5%	23.5%	21.7%	
EBITDA	6,361	2,152	3,797	2,032	
Earnings from operations	4,627	209	1,298	579	
Net Income (Loss) for the year	1,449	(875)	(168)	(834)	
Per Share – Basic					
Earnings from operations	\$0.41	\$0.02	\$0.12	\$0.05	
Net Income (Loss) for the year	\$0.13	(\$0.08)	(\$0.01)	(\$0.07)	
Balance Sheet Data					
Total Assets	40,760	41,821	45,978	49,639	45,918
Total Funded Debt - net of cash	10,387	14,395	17,268	19,534	16,295
Working Capital	7,491	2,628	2,608	1,580	8,289
Shareholders' Equity	18,853	17,380	18,255	18,423	19,683
Other Data					
Cash provided by operations	4,980	3,514	3,768	1,427	

Note 1: Certain comparative figures for 2001 have been restated to reflect the change in Accounting Policy with respect to Foreign Currency Translation to conform to the CICA Handbook Section 1650.

Note 2: Complete comparative financial data is not available as the Company started operations in January 1, 2001. Prior to that date, the Operations were part of Hammond Manufacturing Company Limited. Effective January 1, 2001, the Company's operations were "spun-off" from Hammond Manufacturing Company Limited through a tax-free Plan of Arrangement.

SELECTED CONSOLIDATED FINANCIAL DATA (Continued)

Quarterly Results	\$000's, except per share amounts				
	<u>Sales</u>	<u>Earnings (Loss) from operations</u>		<u>Net earnings (Loss)</u>	
		<u>Amount</u>	<u>per Share basic</u>	<u>Amount</u>	<u>per Share basic</u>
March 31, 2004	\$20,033	755	\$0.07	169	\$0.01
June 30, 2004	19,904	934	\$0.08	307	\$0.03
September 30, 2004	20,918	1,546	\$0.14	582	\$0.05
December 31, 2004	20,494	1,392	\$0.12	391	\$0.04
Full Year 2004	81,349	4,627	\$0.41	1,449	\$0.13
March 31, 2003	\$18,334	(\$71)	(\$0.01)	(\$295)	(\$0.03)
June 30, 2003	17,938	(559)	(\$0.05)	(582)	(\$0.05)
September 30, 2003	18,513	(112)	(\$0.01)	(254)	(\$0.02)
December 31, 2003	18,623	951	\$0.09	256	\$0.02
Full Year 2003	73,408	209	\$0.02	(875)	(\$0.08)
March 31, 2002	\$17,103	(\$254)	(\$0.02)	(\$240)	(\$0.02)
June 30, 2002	19,003	374.	\$0.03	77	\$0.01
September 30, 2002	19,568	229	\$0.02	3	\$0.00
December 31, 2002	19,496	949	\$0.09	(8)	(\$0.00)
Full Year 2002	75,170	1,298	\$0.12	(168)	(\$0.01)