



For Immediate Release: July 20, 2006

HAMMOND POWER SOLUTIONS INC.

Reports Earnings Growth of 43% in Quarter 2, 2006

Three months ended:

	<u>July 1, 2006</u>	<u>July 2, 2005</u>	<u>Change</u>
Sales	\$32,020,000	\$24,673,000	\$ 7,347,000
Earnings from Operations	\$ 2,653,000	\$ 1,551,000	\$ 1,102,000
Gain on Sale of Surplus Property	\$ 0	\$ 374,000	\$ (374,000)
Net Earnings	\$ 1,338,000	\$ 934,000	\$ 404,000
Earnings per Share			
Basic	\$ 0.12	\$ 0.08	\$ 0.04
Diluted	\$ 0.12	\$ 0.08	\$ 0.04

Six months ended:

	<u>July 1, 2006</u>	<u>July 2, 2005</u>	<u>Change</u>
Sales	\$61,735,000	\$46,736,000	\$14,999,000
Earnings from Operations	\$ 4,777,000	\$ 3,024,000	\$ 1,753,000
Gain on Sale of Surplus Property	\$ 0	\$ 374,000	\$ (374,000)
Net Earnings	\$ 2,510,000	\$ 1,466,000	\$ 1,044,000
Earnings per Share			
Basic	\$ 0.22	\$ 0.13	\$ 0.09
Diluted	\$ 0.22	\$ 0.13	\$ 0.09

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

Sales for the quarter ended July 1, 2006, were \$32,020,000 up \$7,347,000, or 29.8% from the comparative quarter last year, and increased 32.1% year-to-date, finishing at \$61,735,000 compared to \$46,736,000 last year. The Quarter 2, 2006 growth in sales, was a result of continued growth in the Company's strategic market segments and increased penetration in the electrical distributor channel in both Canada and the United States.

Mr. Hammond, Chairman & CEO stated "This is our sixth consecutive quarter of sales increases. The Company has gained sales momentum by focusing on its strategic target markets, while benefiting from the positive effects of solid market conditions in both the U.S. and Canadian electrical industries. This is reflected in our higher booking rates, growing sales, elevated backlog and strong financial performance. The North American Electrical Distributor, drive systems, machine repair & overhaul, mining equipment, and oil & gas pumping markets in both Canada and the United States all showed double digit growth in the quarter as compared to Quarter 2, 2005."

Gross margin rates finished at 26.1% versus 26.3% in Quarter 2, 2005, and were 25.9% year-to-date versus 26.8% last year. Quarter 2, 2006, gross margin dollars further increased as a result of increasing sales levels, compounded with selling price increases and a favorable product mix

"The Company is very pleased with its margin performance despite the eroding effects the stronger Canadian dollar had on gross margin rates and rising material costs. HPS continues to attack these margin rate deterrents through market growth, providing value-added product designs, manufacturing agility, market specific selling price increases and aggressive cost reduction initiatives." Mr. Hammond commented.

The Company continues to make steady advances in earnings from operations. This is evidenced by the Quarter 2, 2006 results, which were up \$1,102,000, or 71.0% from the same quarter last year, finishing at \$2,653,000 in the quarter, as compared to \$1,551,000 in Quarter 2, 2005. Earnings from operations were \$4,777,000 on a year-to-date basis, up \$1,753,000 or 58% from the \$3,024,000 for the same period last year.

As a result of increased sales and higher margin dollars, net earnings for Quarter 2, 2006, grew by \$404,000, or 43.3%, concluding at \$1,338,000, compared to \$934,000, in Quarter 2, 2005, and were up \$1,044,000 or 71.2%, finishing at \$2,510,000, year-to-date versus \$1,466,000 last year.

Cash provided by operations for Quarter 2, 2006, was \$1,068,000, versus cash used in operations of \$300,000, in Quarter 2, 2005, a decreased usage of \$1,368,000. Cash used by operations year-to-date, was \$72,000, versus \$1,082,000 in 2005, an improvement in cash provided by operations of \$1,010,000.

Overall bank indebtedness dropped to \$6,802,000, as at July 1, 2006, a decrease of \$3,444,000 or 33.6% as compared to a balance of \$10,246,000 as at July 2, 2005.

Mr. Hammond stated, "Although pleased with our financial performance to date, we are taking nothing for granted. The strength of the Canadian dollar and volatile raw material costs, continue to put profitability pressures on our business. We cannot be complacent. We will continue to reduce our product and manufacturing costs as well as increase our sales in a number of different markets and channels. We are excited about our prospects for continuing to deliver significant increases in value through the successful execution of our business strategy. By staying focused, all stakeholders of HPS will benefit from our already strong competitive and strategic foundation going forward."

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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