



For Immediate Release: March 11, 2011

Hammond Power Solutions Inc.

**Quarter 4, 2010
Company Delivers Consistent Financial Performance**

Three months ended:

(dollars are in thousands)

	December 31, 2010	December 31, 2009	Change
Sales	\$ 47,608	\$ 48,621	\$(1,013)
Earnings from Operations	\$5,516	\$6,687	\$(1,171)
Exchange Gain / (Loss)	\$(180)	\$214	\$(394)
Net Earnings	\$ 3,588	\$4,860	\$(1,272)
Earnings per share			
Basic	.31	.41	(.10)
Diluted	.31	.41	(.10)
Cash Provided by Operations	\$4,641	\$10,767	\$(6,126)

Twelve months ended:

(dollars are in thousands)

	December 31, 2010	December 31, 2009	Change
Sales	\$ 190,604	\$195,437	\$(4,833)
Earnings from Operations	\$14,977	\$18,943	\$ (3,966)
Exchange Gain / (Loss)	\$(14)	(2,370)	\$2,356
Net Earnings	\$9,710	\$9,631	\$79
Earnings per share			
Basic	.84	.82	.02
Diluted	.83	.82	.01
Cash Provided by Operations	\$15,340	\$26,126	\$(10,786)



Guelph, Ontario, March 11, 2011 - Hammond Power Solutions Inc., ("HPS") (TSX: HPS.A) today announced results for the Fourth Quarter 2010.

"HPS has been implementing a strategy of growth through market and channel diversification. These strategies not only propelled our sales and profits while the economy expanded, they also limited their decline in the worst recession seen in over 60 years." commented Bill Hammond, Chairman & Chief Executive Officer of Hammond Power Solutions Inc.

Sales for Quarter 4, 2010 were \$47,608, a decrease of \$1,013 or 2.1% from the comparative quarter last year, and are lower by \$4,833 or 2.5% year-to-date, finishing at \$190,604 compared to \$195,437 last year. The average U.S. to Canadian exchange rate for 2010 was \$1.030 versus \$1.145 in 2009, a decline of 10%. The Company's Quarter 4, 2010 consolidated sales after restating the U.S. dollar sales using 2009 U.S. to Canadian foreign exchange rates were \$48,962, a \$341 or an increase of .7% over the prior year. The Company's 2010 consolidated sales after restating the U.S. dollar sales using 2009 U.S. to Canadian foreign exchange rates were \$203,684, an \$8,247 or an increase of 4.2% over the prior year.

"We held or increased our share of key strategic markets over the last two very tough and highly competitive years. Also our dominance in certain sectors benefitted from renewed growth in Asia as well as strengthening commodities which enhanced our financial results when other North American sectors were still struggling." Bill Hammond further stated.

Quarter 4, 2010 gross margin dollars decreased by \$793 or 5.6% compared to Quarter 4, 2009. Gross margin rates finished at 28.3% versus 29.3% in Quarter 4, 2009 and were 25.9% for the year compared to 27.0% in 2009 down 1.1% of sales. Quarter 4, 2010 gross margin rates were hampered by a 4.2% stronger Canadian dollar as compared to Quarter 4, 2009 and on a year-to-date basis by an 11.2% stronger Canadian dollar versus 2009. This negatively impacted gross margin rates on Canadian manufactured products sold in the United States by 0.7% of sales for the quarter and 0.8% for the year when compared to the same periods of 2009.

Mr. Hammond further commented, "Our focus on continuous improvement activities will positively impact our gross margin rates through higher efficiencies, cost reductions, increased manufacturing throughput and reduced lead times."

Total selling, general and administrative ("SG&A") expenses amounted to \$7,935 in Quarter 4, 2010 versus \$7,557 in Quarter 4, 2009, an increase of \$378 or 5.0% and were slightly higher finishing at \$34,341 in 2010 versus \$33,784 in 2009, a change of \$557 or 1.6%. The higher expense in the quarter was from higher freight, commission and engineering costs in Quarter 4, 2010 totaling \$690 as compared to Quarter 4, 2009. These higher costs were partially offset by lower bad debt expense in the quarter of \$205K when compared to the same quarter of 2009.

The Quarter 4, 2010 earnings from operations decreased by \$1,171 or 17.5% from the same quarter last year, finishing at \$5,516 in the quarter, as compared to \$6,687 in Quarter 4, 2009. On a year-to-date basis results were lower by \$3,966 or 20.9% finishing at \$14,977 compared to \$18,943 for the same period last year. Earnings from operations for the quarter and the year were hampered by the detrimental effects of a higher Canadian dollar on resale margins in the United States and gross margin rate decline resulting from competitive pricing pressure and costs associated with excess manufacturing capacity.



The Company's hedging strategy has significantly reduced its U.S. dollar Balance Sheet translation exposure. Although, there was a foreign exchange loss in Quarter 4, 2010 of \$180 compared to a foreign exchange gain in Quarter 4, 2009 of \$214, there was only a \$14 year-to-date foreign exchange loss compared to a loss of \$2,370 in 2009. 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.

Quarter 4, 2010, income tax expense was \$1,736 as compared to \$1,766 in Quarter 4, 2009, a decrease of \$30 and was \$5,057 year-to-date, versus \$6,441 last year a decrease of \$1,384.

The net earnings for Quarter 4, 2010 were lower by \$1,272, finishing at \$3,588 versus \$4,860 for the same period last year due to lower sales and margins. Even though sales were higher in the previous year, on a year-to-date basis net earnings were higher by \$79 or 0.8%, concluding at \$9,710 compared to \$9,631 in 2009, as a result of lower non-deductible foreign exchange losses of \$3,058.

Cash provided by operations for Quarter 4, 2010 was \$4,641 versus \$10,767, in Quarter 4, 2009, a decrease of \$6,126. The major difference in cash from operations is due to an increase in usage of working capital as a result of higher accounts receivable and inventories balances related to higher late quarter shipments and increased inventory levels to support business growth. Cash provided by operations year-to-date, was \$15,340 versus cash provided by operations of \$26,126 in 2009, a decrease in cash provided by operations of \$10,786.

Net overall bank operating lines of credit, net of cash balances was \$18,089 cash balance as at December 31, 2010, an increase of \$8,065 when compared to a cash balance of \$10,024 as at, December 31, 2009. This increase can be attributed to the slightly higher net income and reduced capital expenditures.

Mr. Hammond concluded, "The worst appears to be over and most though not all markets we serve are coming to life. We are seeing increased activity levels across North America and a renewal of confidence that bodes well for the next two years. We expect that our larger footprint in the distributor channel and the product line expansions either in place or under development will accelerate our growth rate even more."

Hammond Power Solutions Inc. will hold a conference call on **March 11, 2011 at 4:00 p.m. EST**, to discuss the Company's financial results for the Fourth Quarter 2010.

The dial in number for the live audio call is:

Participant dial-in number(s)

Local access: 416-695-7848
Toll Free access: 800-952-6845

Instant replay Access Information:

Local access: 905-694-9451
Toll Free access: 800-408-3053
Pass code: 5660072

Caution Regarding Forward-Looking Information

This press release contains "forward-looking information" within the meaning of applicable securities laws. The forward-looking information contained in this press release is subject to known and unknown risks, uncertainties and other factors that are not within the control of HPS. Generally, this forward-looking information can be identified by the use of forward-looking terminology such as "outlook", "anticipate", "project", "target", "believe", "estimate", "expect", "intend", "should", "scheduled", "will", "plan" and similar expressions. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause HPS's actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information and developed based on assumptions about such risks, uncertainties and other factors set out herein.

A discussion of factors that may affect HPS' actual results, performance, achievements or financial position is contained in the filings by HPS with the Canadian securities regulatory authorities, including HPS' Annual Information Form. This list is not exhaustive of the factors that may affect our forward-looking information. These and other factors should be considered carefully and readers should not place undue reliance on such forward-looking information. HPS disclaims any intent or obligations to update or revise publicly any forward-looking statements whether as a result of new information, estimates or options, future events or results or otherwise, unless required to do so by law.

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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