Hammond Power Solutions Inc.

ANNUAL INFORMATION FORM

March 27, 2015

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Forward-Looking Information

This Annual Information Form contains forward-looking statements that involve a number of risks and uncertainties, including statements that relate to among other things, Hammond Power Solution Inc.'s (the "Corporation" or "HPS") strategies, intentions, plans, beliefs, expectations and estimates, and can generally be identified by the use of words such as "may", "will", "could", "should", "would", "likely", "expect", "intend", "estimate", "anticipate", "believe", "plan", "objective" and "continue" and words and expressions of similar import. Although the Corporation believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from expectations include but are not limited to: general business and economic conditions (including but not limited to currency rates); changes in laws and regulations; legal and regulatory proceedings; and the ability to execute strategic plans. The Corporation does not undertake any obligation to update publicly or to revise any of the forward-looking statements contained in this document, whether as a result of new information, future events or otherwise, except as required by law.

Examples of such forward-looking information in this document include but are not limited to the following, each of which is subject to significant risks and uncertainties and is based on a number of assumptions which may prove to be incorrect:

(A) During 2014, we saw significant decline in the oil and gas, mining and project business (particularly as oil prices dropped to unexpectedly low levels) while seeing an improvement in market activity from original equipment manufacturers, capital equipment and construction sectors. There has been late 2014 advancement in booking rates in the U.S., Canadian, Indian and European markets resulting in a rise in yearend backlog levels.

(B) We believe that by remaining an agile organization, we will be able to respond quickly to both unexpected opportunities and challenges. We also believe that the growing access to a variety of global and domestic markets.

This forward-looking information represents our views as of the date of this Annual Information Form and such information should not be relied upon as representing our views as of any date subsequent to the date of this Annual Information Form. We have attempted to identify important factors that could cause actual results, performance or achievements to vary from those current expectations or estimated expressed or implied by the forward-looking information. However, there may be other factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations.

There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. For a list of factors that could affect the Corporation, see "risk factors" highlighted in materials filed with the securities regulatory authorities in Canada from time to time.

HAMMOND POWER SOLUTIONS INC.

ANNUAL INFORMATION FORM

Corporate Structure

Hammond Power Solutions Inc. was incorporated in 2000, under the *Business Corporations Act (Ontario),* as the result of a reorganization of Hammond Manufacturing Company Limited ("HMCL"). The reorganization, which split HMCL into two publicly-traded companies, was implemented effective January 1, 2001. The dry-type transformer business was spun-off into HPS and the enclosure and rack businesses continued as HMCL. The oil filled distribution transformer business of Moloney Electric Inc.; in which HPS owned a 45% interest was sold in January 2008. A surplus property in Georgetown, Ontario is also jointly owned by the Corporation and HMCL.

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

The Corporation's principal and registered office is located at:

595 Southgate Drive, Guelph, Ontario, N1G 3W6
Phone (519) 822-2441
Fax (519) 822-4366
E-mail ir@hammondpowersolutions.com
Website www.hammondpowersolutions.com

The Class A Subordinate Voting Shares of the Corporation trade on the Toronto Stock Exchange ("TSX") under the symbol "HPS.A".

The following is a list of the principal operating subsidiaries of the Corporation as at December 31, 2014, their respective jurisdictions of incorporation and the percentages of voting securities owned by the Corporation.

Subsidiary	Jurisdiction of Incorporation	Percentage of Votes attaching to All Voting Securities of the Subsidiary
Hammond Power Solutions, Inc.	Wisconsin, USA	100%
Hammond Power Solutions S. A. de C.V.	Nuevo Leon, Mexico	98%
Delta Transformers Inc.	Quebec, Canada	100%
Hammond Power Solutions S.p.a. (Note 1)		
- Euroelettro Hammond	Meledo di Sarego, Italy	100%
- Marnate		
PETE - Hammond Power Solutions Private Limited	India	70%

Note 1: Effective December 30, 2013, Marnate Trasformatori s.r.l. was merged and amalgamated with Euroelettro Hammond s.p.a. Subsequently, on February 19, 2014, Euroelettro Hammond s.p.a. filed a request to change its name to Hammond Power Solutions s.p.a. The companies will continue to manufacture under their brand names.

The Corporation does not own restricted securities in the subsidiaries beneficially owned, or controlled or directed, directly or indirectly.

GENERAL DESCRIPTION OF THE BUSINESS

The Corporation manufactures a wide range of custom and standard dry-type, cast resin and liquid filled transformers and wound magnetic products for the electrical and related industries. The Corporation has been designing and building transformers for over 80 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; Granby, Quebec; Monterrey, Mexico; Compton, California; Hyderabad, India and in Meledo di Sarego and Marnate, Italy.

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

Application	Range of Sizes	Typical End User
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 original equipment manufacturers

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.

DEVELOPMENT OF THE BUSINESS

The Corporation continues to pursue business opportunities that will expand its production capacity, introduce new product lines and add new geographic markets. Since 2008, the Corporation has acquired four companies, one in Quebec, two in Italy and one in India. Production and warehouse facilities have been expanded in Mexico, Guelph, Ontario and the US.

Joint Venture: In October 2014, the Corporation entered into a joint venture with National Material LP ("NMLP") to manufacture transformer cores for the electrical transformer industry in Monterrey, Mexico. Pursuant to the joint venture, HPS will have a 55% ownership interest in the joint venture. On March 25, 2015 a new company, Corefficient S. de R.L. de C.V. was formed. Under the joint venture agreement, HPS and NMLP will share financial and technological resources with the intent to construct and operate a world-class core manufacturing facility. This facility is expected to be fully operational in early Quarter 4, 2015. Through this partnership HPS and NMLP will deliver high quality core solutions which will meet the new U.S. energy efficiency regulations commencing in 2016. The product line will carry a new brand name and will be sold in the United States and Mexico.

Marnate Trasformatori s.r.l.: On February 12, 2013, Hammond Power Solutions Inc. signed an agreement for the acquisition of Marnate Trasformatori s.r.l. ("Marnate") in Italy, acquiring a 100% equity ownership of its cast resin transformer business. Marnate's 2012 annual revenues were approximately CDN $8,000,000.

The acquisition cost of 100% equity ownership of Marnate was approximately CDN $9,522,000. Under the terms of the definitive agreement with Marnate, HPS also committed to the purchase of certain real properties, that are currently used by Marnate to carry out its business, for additional payment of approximately CDN $3,600,000. Effective December 30, 2013, Marnate Trasformatori s.r.l. was merged and amalgamated with Euroelettro Hammond s.p.a. The Corporation will continue to manufacture under the brand name (Marnate).

Purchase Of Pan-Electro Technic Enterprises Private Limited: On February 23, 2012, Hammond Power Solutions Inc. signed an agreement for the acquisition of Pan-Electro Technic Enterprises Private Limited ("PETE") in India, acquiring a 70% equity ownership of its transformer business for 775,000,000 Indian Rupees ($15,828,000 CDN). The company will operate as PETE, as a subsidiary of the Company.

PETE is a manufacturer of cast coil, custom liquid filled distribution and power transformers, in Andhra Pradesh (close to Hyderabad), India with over 22 years of manufacturing and servicing experience. PETE manufactures 50MVA 132KV Class and dry-type transformers up to 3MVA 11KV Class. PETE offers power transformers with innovative designs and consistent quality of high order at competitive prices. Annual sales are approximately Cdn $16,000,000.

The purchase of PETE expanded HPS' global presence, provided a platform for expansion into the Indian, Asian and African markets, increased its design and manufacturing capabilities and advanced the Company's business hedging strategies.

MANUFACTURING METHODS

The manufacturing of transformers involves the winding of copper and aluminium 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 metal housing and cast resin products, which are encapsulated in epoxy. In the performance of these tasks, the Corporation uses automated winding machines, core cutters and welders and testers including machines with programmable controls.

The Corporation employs engineers and technicians to ensure that its products are technologically current and to engineer customized products. The Corporation'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. The Corporation has invested in staff development and equipment employing the latest technologies. These investments allow the Corporation to compete for contracts which other industry participants may not be able to perform. The Corporation's growth is supported by our product development and our ability to provide short lead-time product design and manufacturing.

DISTRIBUTION METHODS

The Corporation operates a Canadian distribution centre in Aberfoyle, Ontario which supplies product in Canada and the United States. As well, the Corporation utilizes stocking representative warehouses across the Unites States and Canada.

SALES AND MARKETING

The Corporation employs a direct sales force and has a number of non-exclusive, independent sales agencies. The Corporation also has sales representatives in Canada, U.S., India and Italy.

The Corporation serves three primary markets – OEMs (original equipment manufacturers), capital projects and MROs (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 the Corporation 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, the Corporation has become an important transformer supplier to many of the biggest electrical equipment manufacturers in the world and also distributors. These companies and buying groups include General Electric, Siemens, Toshiba International, Schneider, Rockwell, ABB, Eaton Corp., Caterpillar, Metalec, Rexel, Joy Global, Wholesale Electric, Enerquest, Affiliated Distributors, Harnischfeger, IMARK, Bucyrus International, Spang Power Electronics, Danfoss Drives, Thomas & Betts, EECOL, WESCO, Piller, Sonepar and Littlefuse Startco.

The Corporation's sales are spread broadly among many markets, industries and customers. In 2014 no single customer or customer division accounted for more than 10% of the Corporation's sales, while the ten largest customers accounted for approximately 23% of sales. In 2014, approximately 29% (33% in 2013) of the total sales were in Canada, 58% in the U.S. and Mexico (57% in 2013) and 13% were offshore (10% in 2013).

COMPETITION

The Corporation 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. The majority of those companies had sales of less than $20 million (U.S.). Other competitors include large companies, such as Asea Brown Boveri Inc., Siemens, General Electric, Eaton Corp., Schneider Electric and others who have substantially greater resources than the Corporation.

The Corporation 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 Corporation is one of a few which have strong manufacturing capabilities in both the standard and custom transformer business and global manufacturing network.

RISK FACTORS

Risks and uncertainties are discussed in "Management's Discussion and Analysis" included in the Corporation's 2014 Annual Report to Shareholders, which is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

HUMAN RESOURCES

The Corporation has approximately 1,396 employees consisting of approximately 30% salaried staff and 70% hourly workers. The majority of the Corporation's hourly workers are members of associations within their individual plants. Management characterizes the Corporation's labour relations as excellent and has not experienced a work stoppage.

The Corporation has defined contribution pension plans that are available to substantially all employees. The Corporation's contribution matches the contribution of the eligible employees, who can contribute between 2 – 6.25% of their annual earnings.

TRADEMARKS AND LICENSES

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

RAW MATERIALS

Raw materials for the Corporation's products consist primarily of metal products of various types, shapes and sizes, and other manufacturing components. The Corporation purchases its raw materials from many suppliers and is not dependent on any single supplier. Certain of the raw materials used by the Corporation, such as copper, steel and aluminium, are subject to market price fluctuations, which can be substantial. To manage its exposure to changes in commodity prices, the Corporation will enter into long-term supply contracts with certain suppliers, and from time to time will enter into forward commodity purchase contracts.

FACILITIES

The Corporation operates fifteen manufacturing and/or distribution facilities, four of which are located in Canada (Guelph, Aberfoyle and Walkerton, Ontario and Granby, Quebec), two in the United States (Baraboo, Wisconsin – the U.S. head office, and Compton, California), two in Monterrey, Mexico, four in India and three in Italy. In addition, the Corporation uses nine "stocking rep" warehouses in Canada and the United States. The Corporation's manufacturing and corporate services facilities contain a total of approximately 600,000 square feet of space of which approximately 210,000 square feet are leased.

RESEARCH AND DEVELOPMENT

The Corporation spends in the range of $800,000 – $1,200,000 per annum on development activities. These development 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 covered in the Corporation's "Notes to the Consolidated Financial Statements" – see Note 18 – Provisions (site restoration) and in "Management's Discussion and Analysis" – Provisions note of the 2014 Annual Report to Shareholders which is available on SEDAR at www.sedar.com.

DIVIDEND PROGRAM

In 2009, the Board of Directors declared a special cash dividend of $0.10 to both Class A Subordinate Voting Shares and Class B Common Shares; in 2010 and 2011, the Board of Directors declared annual cash dividends of $0.13 and $0.15 (for 2010 and 2011 respectively) to both Class A Subordinate Voting Shares and Class B Common Shares. Then in 2012 the Board of Directors declared semi-annual cash dividends of $0.09 (in total $0.18 for the year) to both Class A Subordinate Voting Shares and Class B Common Shares.
In 2013, the Board of Directors declared quarterly cash dividends of $0.05 and in 2014 quarterly cash dividends was increased to $0.06 to both Class A Subordinate Voting Shares and Class B Common Shares.

Future dividends will be at the discretion of the Corporation's Board of Directors after taking into account many factors, including the Corporation's operating results, financial condition, comparability of the dividend yield to peer companies and current and anticipated cash needs.

NORMAL COURSE ISSUER BID

During 2014 and 2013 there were no Normal Course Issuer Bids.

GENERAL DESCRIPTION OF CAPITAL STRUCTURE

The Corporation has authorized capital of an unlimited number of Class A Subordinate Voting Shares and an unlimited number of Class B Common Shares, each without par value. As at December 31, 2014, there were issued and outstanding 8,916,624 Class A Subordinate Voting Shares and 2,778,300 Class B Common Shares. Each Class A Subordinate Voting Share carries the right to one vote representing approximately 44.5% of the aggregate voting rights. Each Class B Common Share carries the right to four votes. Each such shareholder is entitled to vote at the Annual Meeting, except to the extent that he or she has transferred ownership of such shares after the record date.

Stock Options for a total of 666,500 Class A Subordinate Voting Shares outstanding as at December 31, 2014:

Optionees	# of Shares under Option	Exercise Price per Share	Expiry Date
Named Executive Officers	22,500	$13.64	06-Mar-15
	20,000	$5.91	24-Feb-16
	60,000	$10.55	15-Mar-17
	60,000	$11.70	17-Mar-18
	59,000	$9.74	16-Mar-19
	60,000	$10.00	14-Mar-20
	10,000	$7.50	13-Mar-21
Directors	20,000	$13.64	06-Mar-15
	10,000	$5.91	24-Feb-16
	30,000	$10.55	15-Mar-17
	40,000	$11.70	17-Mar-18
	50,000	$9.74	16-Mar-19
	50,000	$10.00	14-Mar-20
	25,000	$7.50	15-Mar-21
Key Managers & Consultants	5,000	$13.64	06-Mar-15
	55,000	$11.70	17-Mar-18
	10,000	$9.74	16-Mar-19
	30,000	$10.00	14-Mar-20
	50,000	$7.50	13-Mar-21

MARKET FOR SECURITIES

The Class A Subordinate Voting Shares are listed on the Toronto Stock Exchange and trade under the symbol "HPS.A". The following table represents price range and volume traded for the Class A Subordinate Voting Shares of the Corporation for each month of fiscal 2014.

2014	Price Range		Volume
	Low	High	# of shares
January	6.91	7.36	171,350
February	6.91	8.02	127,036
March	7.40	8.14	171,317
April	8.01	8.64	168,399
May	8.48	8.99	190,762
June	8.30	9.40	556,277
July	8.10	8.79	135,536
August	7.50	8.15	66,493
September	7.31	7.97	91,533
October	6.42	7.48	265,749
November	5.89	6.55	224,797
December	5.71	7.34	127,764

DIRECTORS AND OFFICERS

As at the date hereof, the name, municipality of residence, position with the Corporation and principal occupations of each of the directors (collectively, the "Directors" and each a "Director") and executive officers of the Corporation, and the period during which each Director has served on the Board of Directors, are as follows:

DIRECTORS:

Name Residence Principal Occupation / Business during past five years	Position within the Corporation	Director Since
WILLIAM G. HAMMOND Guelph, Ontario, Canada	Director, Chairman & Chief Executive Officer	January 2001
DONALD H. MACADAM Port Dover, Ontario, Canada Chief Executive Officer, MBVax Bioscience Inc.	Director	May 2001
DOUGLAS V. BALDWIN Gormley, Ontario, Canada	Director	March 2004
GRANT C. ROBINSON Guelph, Ontario, Canada Partner, BDO Canada LLP	Director	May 2007
DAVID J. FITZGIBBON Cincinnati, Ohio, U.S.A. Vice Chairman & Chief Executive Officer, Ilsco Corporation	Director	May 2009
DAHRA GRANOVSKY Toronto, Ontario, Canada President, Chem-Ecol Ltd. Director & Past President, Atlantic Packaging, APG Director, Thomson-Gordon Group	Director	May 2011
RICHARD S. WATERMAN Oakville, Ontario, Canada Past Executive Vice-President & Chief Executive Officer, International Electric Supply Corp	Director	May 2014
FRED M. JAQUES Toronto, Ontario, Canada President & Chief Executive Officer, Sofina Foods Inc.	Director	May 2014

The Directors are elected at each annual meeting of the shareholders and will serve until the next annual general meeting of the shareholders.

Mr. W. G. Hammond

Mr. Hammond is Chairman, Chief Executive Officer and has served as a Director of the Corporation since 2001. He served as President of HMCL from 1994 to 2001 with responsibility for both the Transformer and Enclosure Groups. From 1978 to 1994, Mr. Hammond was directly responsible for Corporate Sales, Marketing, HR and Logistics, with HMCL. Mr. Hammond holds a B.A. from the University of Western Ontario.

Mr. Donald MacAdam

Mr. MacAdam has served as a Director of the Corporation since 2001. Since October 2005, he has been the President, Chief Executive Officer and Director of MBVax Bioscience Inc. Prior to that, Mr. MacAdam was the former president of A360 Inc. Mr. MacAdam also currently sits on the Board of Directors of Malibu Labs Inc., and has served as President, Chief Executive Officer, Director and Chairman of several other Canadian corporations.

Mr. Douglas V. Baldwin

Mr. Baldwin has served as a Director of the Corporation since 2004. He was the President of AMPCon Inc. until October 1, 2009, previously the past President and Chief Executive Officer of Electro Federation Canada, and past President and Chief Executive Officer of Schneider Electric Inc. Mr. Baldwin was a director of Moloney Electric Inc. from 2005 to 2008.

Mr. Grant C. Robinson

Mr. Robinson has served as a Director of the Corporation since 2007. He was the managing partner of Robinson & Company LLP until January 1, 2010, when the firm merged with BDO Canada LLP, of which he is a partner. He is also involved in various programs including the "Success Care Program", offering services to entrepreneurial and family businesses and has many years of experience as an educator. Mr. Robinson is a contributor to magazines, publications and technical editor for the C.A. Magazine's Business Advisor column. Mr. Robinson holds a B.A. from the University of Guelph, a F.C.A. designation and is a Certified Financial Planner.

Mr. David J. FitzGibbon

Mr. FitzGibbon has served as a Director of the Corporation since 2009. Mr. FitzGibbon serves on many boards of directors within the electrical manufacturing industry. He is the Vice Chairman and Chief Executive Officer of Ilsco Corporation, an electrical connector manufacturer based in Cincinnati, Ohio.

Ms. Dahra Granovsky

Ms. Granovsky has served as a Director of the Corporation since 2011. Ms. Granovsky is past President of Atlantic Packaging, APG as well as past President of Eco Wood Products and Meldan. Ms. Granovsky has over 16 years of experience in the manufacturing and distribution industry. She sits on the Board of Directors at Atlantic Packaging and on the Board of Advisors of the Thomson-Gordon Group.

Mr. Richard S. Waterman

Mr. Waterman sits on the Board of Directors of Crescent Electrical Supply Company. He has over 25 years of experience in the electrical industry in various senior positions with International Electric Supply Corp., Rexel Inc. and Westburne Inc. Mr. Waterman has also been a member of various electrical associations.

Mr. Fred M. Jaques

Mr. Jaques is President and Chief Operating Officer of Sofina Foods Inc. and previously was the Chief Executive Officer of Santa Maria Foods ULC. Mr. Jaques has served in various senior positions with Dare Foods, Labatt and Kellogg.

OFFICERS:

Mr. W. G. Hammond

Mr. Hammond is Chairman, Chief Executive Officer and has served as a Director of the Corporation since 2001. He served as President of HMCL from 1994 to 2001 with responsibility for both the Transformer and Enclosure Groups. From 1978 to 1994, Mr. Hammond was directly responsible for Corporate Sales, Marketing, HR and Logistics with HMCL. Mr. Hammond holds a B.A. from the University of Western Ontario.

Mr. Christopher R. Huether

Mr. Huether is the Chief Financial Officer and Corporate Secretary of the Corporation. Mr. Huether held various positions including Group Controller with HMCL - Enclosure and Transformer Groups from 1985 – 2000. Mr. Huether is a Fellow Certified Management Accountant, FCMA, member of the Society of Management Accountants of Ontario and holds a Business Diploma from Fanshawe College.

Mr. Jay A. Davis

Mr. Davis was appointed to the position of Chief Operating Officer on February 1, 2015 and is responsible for both the North American and International Operations. Prior to joining the Corporation, Mr. Davis held various positions in the Volvo companies; his last position was Global Vice President of Volvo Construction Equipment Inc. based in Brussels, Belgium with responsibility for Production System, Quality and Environment and Safety. Mr. Davis is a graduate of Kettering University, Flint, Michigan where he holds a Master's of Science, Operations Management, he also holds a Masters of Business Administration though Indiana University, Indianapolis, Indiana and a Post Graduate Diploma in Global Business Strategy from Oxford University, Oxford, England.

COMMITTEE MEMBERSHIP

The Audit Committee and Compensation Committee are comprised of the independent Directors, which are Zoltan D. Simo, Douglas V. Baldwin, Donald H. MacAdam, Grant C. Robinson, David J. FitzGibbon, Dahra Granovsky, Richard S. Waterman and Fred M. Jaques.

All Directors are members of the Corporate Governance Committee.

SHAREHOLDINGS OF DIRECTORS

William G. Hammond beneficially owns 302,258 Class A Subordinate Voting Shares of the Corporation directly. In addition, William G. Hammond beneficially owns all the outstanding shares of Arathorn 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 Directors and officers (excluding William G. Hammond) of the Corporation beneficially own, control or direct, directly or indirectly, in the aggregate, 1.4% of Class A Subordinate Voting Shares.

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

RELATED PARTY TRANSACTIONS

1. During the year, the Corporation purchased $273,522 of inventory (2013 - $317,433) from a company in which a key employee has influence as a director of the company.

2. The Corporation also purchased $1,097,499 of inventory (2013 - $716,000) from a company in which a key employee has influence as a minority owner of a subsidiary of the Corporation and the Corporation owed $650,064 for inventory purchases (2013 - $447,000) from the related party.

3. During the year ended December 31, 2014, HPS has paid $16,738 (2013 - $17,000) in connection with rental agreements for office space and an apartment for K. Linga Eddy and K. Ravi Reddy, the minority shareholders of PETE - Hammond Power Solutions Private Limited in India.

SELECTED CONSOLIDATED FINANCIAL DATA

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

	Years ended December 31				
	2014	**2013**	**2012**	**2011**	**2010** (1)
Income Statement Data	**$000's, except per share amounts**				
Sales	$247,756	$242,941	$257,376	$221,323	$190,604
Gross Profit - $	57,485	60,601	64,788	53,991	48,177
- %	23.2%	24.9%	25.2%	24.4%	25.3%
EBITDA (2)	12,327	16,924	24,352	15,538	19,499
Earnings from operations	6,460	11,036	18,180	13,039	13,642
Net Income for the year	2,520	6,104	12,611	5,993	10,652
Per Share - Basic					
Net Income for the year	$0.22	$0.52	$1.08	$0.52	$0.92
Balance Sheet Data					
Total Assets	184,291	186,878	160,049	137,520	118,643
Cash (Debt),net of bank indebtedness	(10,714)	(15,959)	1,152	6,218	18,089
Current Assets - Current Liabilities (net)	43,503	37,752	39,539	45,510	51,653
Shareholders' Equity	114,437	109,051	101,645	91,448	86,283
Other Data					
Cash provided by operating activities	18,450	765	21,371	6,592	14,109

(1) Certain items in the 2010 comparative figures have been restated to conform with the financial statement presentation under IRFS.

(2) The Corporation defines EBITDA as earnings before taxes, plus interest and amortization expense.

SELECTED CONSOLIDATED FINANCIAL DATA (continued)

		$000's, except per share amounts		
Quarterly Results	**Sales**	**Earnings from operations**	**Net Income**	**EPS** (Basic)
March 29, 2014	$59,953	$1,303	$520	$0.04
June 28, 2014	61,716	1,770	936	$0.08
September 27, 2014	61,558	915	260	$0.02
December 31,2014	64,529	2,472	804	$0.08
Full Year 2014	247,756	6,460	2,520	$0.22
March 30, 2013	$63,672	$3,359	$1,907	$0.16
June 29, 2013	59,072	1,599	510	$0.04
September 28, 2013	57,393	1,921	792	$0.07
December 31,2013	62,804	4,157	2,895	$0.25
Full Year 2013	242,941	11,036	6,104	$0.52
March 31, 2012	$65,654	$3,757	$2,518	$0.22
June 30, 2012	65,486	4,663	2,811	$0.24
September 29, 2012	63,703	4,215	2,552	$0.21
December 31,2012	62,533	5,545	4,730	$0.41
Full Year 2012	257,376	18,180	12,611	$1.08

REVIEW OF OPERATIONS

Information is included in the Corporation's 2014 Annual Report to Shareholders, which is available on SEDAR at www.sedar.com.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis information is included in the Corporation's 2014 Annual Report to Shareholders, which is available on SEDAR at www.sedar.com.

LEGAL PROCEEDINGS

Contingent Liability

In December 2013, the Corporation received notice of an environmental claim from the owner of a property located nearby to a property that was once partially owned by the Corporation. At this time the Company feels there is no merit to the claim.

SUBSEQUENT EVENTS

Dividend Declared

On March 5, 2015 Hammond Power Solutions Inc. declared a quarterly cash dividend of six cents ($0.06) per Class A subordinate voting share and a quarterly cash dividend of six cents ($0.06) per Class B common share of HPS payable on March 26, 2015 to the shareholders of record at the close of business on March 19, 2015. The ex-dividend date was March 17, 2015.

Joint Venture

On October 23, 2014, the Company executed a joint venture agreement with National Material L.P. (the "JV Agreement") for the manufacturing of transformer cores. Under the terms of the JV Agreement the company will have a 55% ownership interest. On March 25, 2015, the Company and National Material L.P. executed all agreements and a new company Corefficient S. de R.L. de C.V. was established.

Under the terms of the JV Agreement the joint venture is scheduled to begin operations in Quarter 4, 2015.

INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS

William G. Hammond, Chairman and Chief Executive Officer, 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.

Management is not aware of any interest of insiders in any material transaction with the Corporation.

AUDIT COMMITTEE INFORMATION

Audit Committee Charter

The Corporation's Audit Committee operates under a written charter that sets out its responsibilities and composition requirements. A copy of this charter is attached in Schedule "A" to this Annual Information Form.

Composition of Audit Committee

The Audit Committee is currently composed of the independent Directors, Messrs. Donald H. MacAdam, Douglas V. Baldwin, Grant C. Robinson, David J. FitzGibbon, Dahra Granovsky, Richard S. Waterman and Fred M. Jaques, all of whom are financially literate, as those terms are defined in National Instrument 52-110 – *Audit Committees.*

EXTERNAL AUDIT AND TAX FEES

The following summarizes the professional services rendered by KPMG LLP to the Corporation for the years ended December 31, 2014, and December 31, 2013:

Professional Service (1)	2014	2013
Audit and audit related fees	$247,357	$280,465
Tax Fees (2)	$142,071	$214,078
Other Fees (3)	$8,600	$8,000

(1) In addition to the above, the Corporation paid $122,000 in 2014 ($73,000 in 2013) to Deloitte (Mexico) related to the Mexican operations and $16,000 in 2014 ($14,000 in 2013) to KPMG (India) related to the Indian operations for audit, tax and other services.
(2) Preparation of tax returns for the Corporation and all related subsidiaries in Canada and the U.S. income tax advisory services and miscellaneous professional tax services relating to international acquisitions.
(3) Pension Plan Audit.

TRANSFER AGENT AND REGISTRAR

The Corporation's registrar and transfer agent is Computershare Investor Services Inc., in Toronto, Ontario.

MATERIAL CONTRACTS

Financing Agreement

On March 22, 2012, the Corporation completed a new financing arrangement with JP Morgan Chase Bank, N.A. for a $25,000,000 U.S. revolving credit facility, a $5,000,000 U.S. overdraft facility, a €4,000,000 Euro overdraft facility and a $10,000,000 U.S. delayed draw credit facility. This is an unsecured, 5-year committed facility that provides financing certainty for the future. This financing better aligns our Canadian, U.S. and European banking requirements, supports our hedging strategies, provides financing for our operational requirements, and capital for our strategic initiatives.

On June 30, 2013, the Corporation negotiated a change to the financing arrangement to permit the ability to net all cash balances against funded debt; thereby lowering the interest cost matrix applicable to the financing arrangement with JP Morgan Chase Bank signed on March 22, 2012.

FORWARD CONTRACTS

Foreign Exchange
At December 31, 2014, the Corporation had outstanding foreign exchange contracts in place for €6,800,000 Euro to U.S., €4,000,000 Euro to CDN and $6,500,000 US to Mexican Peso, all implemented as hedges against translation gains and losses on intercompany loans and $21,000,000 U.S. to CDN to hedge the U.S. dollar accounts payable in the Canadian operations of HPS.

Other
There are no other contracts, that are material to the Corporation and that have been entered into within the most recently completed financial year or before the most recently completed financial year but are still in effect.

ADDITIONAL INFORMATION

Additional information, including Directors and named executive officer's remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, is contained in the Management Information Circular for the 2015 Annual Meeting of Shareholders. Additional financial information is provided in the Corporation's financial statements and Management's Discussion and Analysis for its most recently completed financial year.

Additional information concerning the Corporation including the materials listed in the preceding paragraphs is found on SEDAR at www.sedar.com

Schedule A

Hammond Power Solutions Inc.
(the "Corporation")

Audit Committee Charter

GUIDING STANDARDS

It is the Corporation's desire to achieve the highest possible standard of responsible corporate governance. Financial reporting and financial controls are two important components of that effort. At a minimum, the Corporation must satisfy all statutory and regulatory requirements. The Audit Committee, however, shall guide its effort by, and measure its effectiveness against, the following Guiding Standards:

- The accurate, complete, and timely reporting of the Corporation's financial position, results of operations and prospects.
- The financial controls necessary to give shareholders, Directors, creditors, and employees of the Corporation the highest confidence in the integrity and sufficiency of the Corporation's financial systems, are in place and operating effectively.

Members

The Board of Directors shall appoint an Audit Committee of at least three members, consisting entirely of "independent" Directors of the Board, and shall designate one member as chairperson. For purposes hereof, "independent" shall mean a Director who meets the Toronto Stock Exchange definition of "independence" – (National Instrument 52-110 – Audit Committees).

Each member of the Audit Committee has been determined by the Board of Directors to be "independent" and "financially literate." Each member of the Audit Committee has the ability to perform his responsibilities as an Audit Committee member based on his education and/or experience.

Purpose, Duties, and Responsibilities

The Audit Committee shall represent the Board of Directors in discharging its responsibility relating to the accounting, reporting, and financial practices of the Corporation and its subsidiaries, and shall have responsibility for surveillance of internal controls and accounting and audit activities of the Corporation and its subsidiaries. The Audit Committee does not itself prepare financial statements or perform audits, and its members are not auditors or certifiers of the Corporation's financial statements. Specifically, the Audit Committee shall:

1. Recommend to the Board of Directors and evaluate the firm of independent public accountants to be appointed as auditors of the Corporation, which firm shall be ultimately accountable to the Board of Directors through the Audit Committee.
2. Review and discuss with the outside auditors their audit procedures, including the scope, fees and timing of the audit, and the results of the annual audit examination and any accompanying management letters and any reports of the outside auditors with respect to interim periods.
3. Review and discuss the written statement from the outside auditor of the Corporation concerning any relationships between the auditor and the Corporation or any other relationships that may adversely affect the independence of the auditor and, based on such review, assess the independence of the outside auditor.

Purpose, Duties, and Responsibilities (cont'd)

4. Review and discuss with management and the outside auditors the annual financial statements of the Corporation, including significant issues regarding accounting principles, practices, and significant management estimates and judgments.
5. Recommend to the Board of Directors whether, based on the review and discussion described in paragraphs (2) through (4) above, the financial statements should be included in the Annual Report.
6. Review and discuss with management the Corporation's quarterly financial results and related documents and approve prior to filing or distribution.
7. Review and discuss with management and the outside auditors: (a) any material financial or non-financial arrangements of the Corporation which do not appear on the financial statements of the Corporation; and (b) any transactions or courses of dealing with parties related to the Corporation which transactions are significant in size or involve terms or other aspects that differ from those that would likely be negotiated with independent parties, and which arrangements or transactions are relevant to an understanding of the Corporation's financial statement.
8. Review and discuss with management and the outside auditors the adequacy of the Corporation's internal controls and financial reporting controls.
9. Review and discuss with management and the outside auditors the accounting policies which may be viewed as critical, and review and discuss any significant changes in the accounting policies of the Corporation and accounting and financial reporting proposals that may have a significant impact on the Corporation's financial reports.
10. Establish policies and procedures for the engagement of the outside auditors to provide non-audit services, and consider whether the outside auditor's performance of specific non-audit services is compatible with the auditor's independence.
11. Review material pending legal proceedings involving the Corporation and other contingent liabilities.
12. Review the appropriateness of the Audit Committee Charter on an annual basis and periodically perform self-assessments of Audit Committee performance.
13. Review financial and accounting personnel succession planning within the Corporation.
14. Annually review the adequacy of insurance coverage for Directors, officers, Board of Directors committee chairs and committee members.
15. Review and approve management's decisions related to the need for internal auditing.

Meetings

The Audit Committee shall meet as often as may be deemed necessary or appropriate in its judgement, generally four times each year, either in person or by telephone. The Audit Committee shall meet in executive session with the outside auditors at least annually. The Audit Committee may create subcommittees who shall report to the Audit Committee. The Audit Committee shall report to the full Board of Directors with respect to its meeting. The majority of the members of the Audit Committee shall constitute a quorum.

Investigations

The Audit Committee shall have the authority to conduct or authorize investigations into any matters within its scope of responsibilities with full access to all books, records, facilities, and personnel and shall have the authority to retain outside counsel, experts and other advisors as it determines appropriate to assist it in the conduct of any investigation.