

## Railpower Reports 2006 Fourth Quarter and Year End Financial Results

**MONTREAL, Quebec, March 30, 2007** – Railpower Technologies Corp. ("Railpower" or the "Company") (TSX: P), a leader in specialized energy technology systems for the transportation industry, today reported its financial results for the three and twelve-month periods ended December 31, 2006. *(All dollar amounts are in \$CDN unless stated otherwise.)*

### 2006 Highlights

- Produced 38 units and delivered 28 during the year
- Obtained Tier 2, U.S. Environmental Protection Agency ("EPA") certification for the RP-series three-engine road switcher locomotive and delivered 15 road switchers to the customer sites
- Reached an agreement with a customer to amicably terminate the contract for the procurement of 35 yard Green Goat locomotives which resulted in a reversal to the provision for future contract losses of \$18.7 million
- Commenced design of a prototype hybrid diesel electric power unit for use in TSI Terminal Systems Inc.'s rubber tyred gantry ("RTG") cranes commonly used in major ports
- First European hybrid yard switcher completed in Sweden, by Swedish Train Technology
- Subsequent to quarter end, completed equity financing raising gross proceed of \$34.5 million
- Recorded a net loss for the year of \$41.5 million compared to \$59.9 million in 2005
- Recognized a contract loss in the amount of \$16.0 million for its largest current order. The loss is due to additional labor hours, higher warranty costs due to the extension of the warranty period granted in November 2006 and penalties on expected late deliveries.

"During 2006, our management team commenced the implementation of a turnaround strategy. We recruited senior engineering and finance talent to address our core internal functions, costing and reporting processes were put into place in all our departments and new procurement and manufacturing process were developed," said José Mathieu, President and CEO of Railpower. "In terms of product developments, we completed a new and improved third generation yard switcher, we launched the production of our RP-series multi-genset road switcher and we recently completed a battery-dominant hybrid power plant for installation on RTG cranes."

"Looking ahead, we will continue to improve our procurement and manufacturing processes, focus on increasing the market penetration of our RP-series road switchers and build up a family of road switchers based on this initial model. We will also further develop our hybrid technology for derivative applications, such as RTG cranes. We have a tremendous market opportunity to address and by continuing to execute on our focused business plan, we believe we are well positioned to succeed."

### Financial Results

For the fourth quarter of 2006, revenue increased to \$11.3 million, compared to \$10.0 million in the fourth quarter of 2005. The Company's increased revenue in the fourth quarter resulted from the delivery of 11 units, compared to delivery of 12 in the fourth quarter a year ago, at a higher selling price. For the year ended December 31, 2006, revenue increased to \$25.6 million, compared to \$20.2 million in the same period a year ago. Increased revenue in the year resulted from the delivery of 28 units compared to 24 in 2005. As at December 31, 2006, the Company had firm orders for 105 locomotives and three cranes compared to an order book of 163 locomotives at the end of 2005.

Cost of goods sold ("COGS") in the fourth quarter totaled \$19.2 million compared to \$15.6 million in the fourth quarter of 2005. For the year ended December 31, 2006, COGS totaled \$40.7 million compared to

\$30.2 million for the year ended December 31, 2005. The increase in COGS in the year resulted primarily from the write-down of inventory to its net realizable value, the increase in manufacturing overhead and a provision for obsolescence of raw material.

Operating expenses, including engineering and research and development ("R&D"), general and administrative ("G&A"), selling and service related expenses, for the fourth quarter of 2006 totaled \$6.7 million, compared to operating expenses of \$7.5 million for the fourth quarter of 2005. Operating expenses for the year ended December 31, 2006 totaled \$28.8 million, compared to operating expenses of \$22.3 million for the year ended December 31, 2005. The increase in operating expenses during 2006 resulted from higher levels of activity, the completion of an inspection program for the Green Goats, the development of IT processes and systems and increased engineering and R&D expenses related to the completion of the third generation yard switcher (GG20B) as well as design and validation of the RP-series road switcher and the development of the first hybrid crane.

Net loss for the fourth quarter of 2006 was \$5.8 million, or (\$0.11) per share, compared to a net loss of \$40.5 million, or (\$0.91) per share in the same period a year ago. The Company's decreased net loss in the current quarter is primarily attributable to the decrease in the provision for future contract losses. Net loss for the year ended December 31, 2006 was \$41.5 million, or (\$0.76) per share compared to a net loss of \$59.9 million, or (\$1.36) per share in 2005.

As at December 31, 2006, the Company had cash and cash equivalents of \$1.1 million, compared to \$76.8 million as at December 31, 2005. The Company's decreased cash position as at December 31, 2006 reflects significantly higher levels of inventory related to work-in-process manufacturing and increases in accounts receivable, offset by a reversal to the provision for future contract losses of \$18.7 million related to termination of a contract for 35 Green Goat yard locomotives. The Company has since significantly improved its cash position. Cost-cutting and cash preservation measures were put into place, and subsequent to year end, in February 2007, a public equity offering raising gross proceeds of \$34.5 million was completed.

Railpower's consolidated financial statements and Management's Discussion and Analysis ('MD&A') as at December 31, 2006, were prepared in accordance with Canadian generally accepted accounting principles and are presented in Canadian dollars, except where indicated otherwise. The full statements and MD&A will be filed on SEDAR ([www.sedar.com](http://www.sedar.com)) and, be available via Railpower's website ([www.railpower.com](http://www.railpower.com)) later today.

### **Outlook**

Moving into 2007, the Company will focus its efforts on increasing the market penetration of the RP-series road switcher. Railpower is currently in discussions with several Class I railroads which have expressed an interest in testing our RP-series demonstration units. Proposals have been submitted for approximately 120 units to Class I railroads, as well as with some industrial and overseas potential customers.

The Company will also look to advance its strategy of penetrating derivative markets for its hybrid technology. This technology is highly suitable for the power and energy requirements of RTG cranes used for moving shipping containers in major ports. Terminal Systems Inc, has agreed to test Railpower's hybrid diesel electric power unit for use in their RTG cranes. Three hybrid power plants are currently being developed, and the 1<sup>st</sup> one will be installed by TSI on their cranes in the first half of 2007.

In terms of manufacturing, Railpower expects to continue its delivery schedule of three units per week, ramping up to five units per week, in order to fulfill its largest current order by the end of June 2007. The Company is exploring the possibility of operating its own manufacturing facility. This facility would provide a shorter production cycle and would reduce working capital requirements. However, the Company will keep some assembly capacity in the United States.

Upon completion of the current orders, the Company believes that it has the necessary cash to pursue its sales and marketing activities, to continue the development of its product lines, to improve the processes and systems and to keep its core resources.

### **Notice of Conference Call and Webcast**

José Mathieu, President and CEO of Railpower, will host a conference call today at 9:00 am (EST) to review the financial results. All interested parties are invited to participate. A live audio webcast of the call will be available at [www.railpower.com](http://www.railpower.com) or [www.newswire.ca](http://www.newswire.ca). A taped replay of the conference call will also be available until Friday, April 6, 2007 by calling 416-640-1917 or 1-877-289-8525 reference number 21219970#.

### **About Railpower**

Railpower (TSX: P), ([www.railpower.com](http://www.railpower.com)) is engaged in the development, construction, marketing and sales of specialized, patented, environmentally friendly technology systems for the transportation and related industries. Railpower's technologies significantly reduce fuel usage, operating and maintenance costs, and emissions. While Railpower's origins are in the transportation industry, its technologies have broad potential and applications in other markets and industries. Railpower is headquartered in Montreal, Quebec. Its U.S. office is located in Erie, Pennsylvania.

### **Caution regarding forward-looking statements**

*Certain statements contained in this release contain forward-looking statements. When used in this document, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" and similar expressions may be used to identify forward-looking statements. Those statements reflect our current views with respect to future events or conditions, including prospective results of operations, financial position, predictions of future actions, plans or strategies. Certain material factors and assumptions were applied in drawing our conclusions and making those forward looking statements. By their nature, those statements reflect management's current views, beliefs and assumptions and are subject to certain risks and uncertainties, known and unknown, including, without limitation, product development or manufacturing delays, changing environmental regulations, the ability to attract and retain business partners, the acceptance of our existing and new products, future levels of government funding, the need to obtain and maintain proprietary rights over our technology, competition from other technologies, the ability to access the capital required for research, product development, operations and marketing, the need to generate positive cash flow in the foreseeable future, changes in energy prices and currency levels. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by these forward-looking statements. Should one or more of these risks or uncertainties materialize, or should the assumptions underlying our projections or forward-looking statements prove incorrect, our actual results may vary materially from those described in this report as intended, planned, anticipated, believed, estimated, or expected. We do not intend and do not assume any obligation to update these forward-looking statements whether as a result of new information, plans, events or otherwise.*

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# RAILPOWER TECHNOLOGIES CORP.

Consolidated Balance Sheets  
(Expressed in Canadian dollars)

	December 31, 2006	December 31, 2005
<b>Assets</b>		
Current assets		
Cash and cash equivalents (note 4)	\$ 1,130,011	\$ 76,829,474
Restricted investments (note 5)	2,053,604	4,713,189
Accounts receivable (note 6)	9,922,401	6,282,433
Deposits to suppliers	108,927	58,534
Inventory (note 7)	62,019,205	13,849,922
Prepaid expenses	934,082	536,783
	<u>76,168,230</u>	<u>102,270,335</u>
Plant and equipment (note 8)	1,662,244	1,229,914
Lease, demonstration and service units (note 9)	5,921,854	3,638,482
Patents (note 10)	487,514	365,760
Deferred development costs	-	805,984
	<u>\$ 84,239,842</u>	<u>\$ 108,310,475</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities	16,841,284	11,179,140
Advanced billing (note 11)	23,417,068	-
Term loan (note 12)	2,745,974	3,086,796
Provision for warranties (note 13)	4,991,293	5,102,518
Provision for contract losses (note 14)	8,586,486	23,018,371
	<u>56,582,105</u>	<u>42,386,825</u>
Shareholders' equity		
Share capital (note 15)	146,081,902	145,454,777
Contributed surplus (note 15)	4,442,257	1,862,772
Deficit	<u>(122,866,422)</u>	<u>(81,393,899)</u>
	27,657,737	65,923,650
	<u>\$ 84,239,842</u>	<u>\$ 108,310,475</u>

Risks and uncertainties (note 2)  
Contractual obligations and commitments (note 18)  
Contingencies (notes 9 and 22)  
Subsequent events (note 23)

The accompanying notes are an integral part of the consolidated financial statements.

## RAILPOWER TECHNOLOGIES CORP.

Consolidated Statements of Operations and Deficit  
(Expressed in Canadian dollars)

	Year ended December 31	
	2006	2005
Sales	\$ 25,647,651	\$ 20,177,261
Cost of goods sold	(40,710,428)	(30,182,615)
Provision for contract losses	3,805,684	(23,018,371)
Amortization of plant and equipment and lease and service units	(707,389)	(554,082)
Amortization and write-down of patents and deferred development costs	(1,192,564)	(10,724)
Amortization of government grants	77,733	63,807
Warranty expenses	(1,350,499)	(5,103,117)
	(14,429,812)	(38,627,841)
Selling expenses	(1,378,453)	(1,610,687)
Service expenses	(4,660,911)	(3,163,929)
Engineering and research & development expenses	(10,939,734)	(9,081,278)
General and administrative expenses	(11,850,940)	(8,450,824)
Operating loss	(43,259,850)	(60,934,559)
Interest income	1,608,659	1,267,567
Foreign exchange gain (loss)	434,901	(39,024)
Interest expense	(256,233)	(205,464)
Loss for the year	(41,472,523)	(59,911,480)
Deficit, beginning of year	(81,393,899)	(21,482,419)
Deficit, end of year	\$ (122,866,422)	\$ (81,393,899)
Net loss per weighted average common share; basic and diluted	\$ (0.76)	\$ (1.36)
Weighted average number of common shares outstanding; basic and diluted	54,870,835	44,191,631

The accompanying notes are an integral part of the consolidated financial statements.

# RAILPOWER TECHNOLOGIES CORP.

Consolidated Statements of Cash Flows  
(Expressed in Canadian dollars)

	Year ended December 31	
	2006	2005
Cash flows from operating activities		
Loss for the year	\$ (41,472,523)	\$ (59,911,480)
Items not involving cash		
Amortization of plant and equipment and lease and service units	707,389	554,082
Amortization and write-down of patents and deferred development costs	1,192,564	10,724
Amortization of government grants	(77,733)	(63,807)
Stock-based compensation	2,666,522	1,545,438
Gain on sale of equipment	-	(37,214)
Changes in working capital and other items		
Increase in accounts receivable	(3,997,452)	(5,659,628)
Increase in deposits to suppliers	(50,393)	(58,534)
Increase in inventory	(47,403,453)	(4,292,196)
Increase in prepaid expenses	(397,299)	(324,527)
Increase in accounts payable and accrued liabilities	5,662,144	6,138,907
Increase in advance billing	23,417,068	-
Decrease in customer deposits	-	(315,465)
Increase (decrease) in provision for warranties	(111,225)	5,078,468
Increase (decrease) in provision for contract losses	(14,431,885)	23,018,371
<b>Net cash used in operating activities</b>	<b>(74,296,276)</b>	<b>(34,316,861)</b>
Cash flows from investing activities		
Decrease (increase) in restricted investments	2,659,585	(475,067)
Expenditures on patents	(146,754)	(159,305)
Expenditures on plant and equipment	(998,384)	(674,524)
Investment in lease, demonstration and service units	(3,112,804)	(3,918,876)
Proceeds on sale of fixed assets	-	666,361
Investment in deferred development costs	(361,580)	(792,439)
<b>Net cash used in investing activities</b>	<b>(1,959,937)</b>	<b>(5,353,850)</b>
Cash flows from financing activities		
Issuance of long-term debt	-	2,358,720
Repayment of long-term debt	(340,822)	(443,874)
Government grants	357,484	1,775,498
Issuance of common stock for cash, net of share issue costs	540,088	58,896,857
<b>Net cash provided by financing activities</b>	<b>556,750</b>	<b>62,587,201</b>
Net increase (decrease) in cash and cash equivalents	(75,699,463)	22,916,490
Cash and cash equivalents, beginning of year	76,829,474	53,912,984
<b>Cash and cash equivalents, end of year (note 4)</b>	<b>\$ 1,130,011</b>	<b>\$ 76,829,474</b>
Supplementary information		
Interest paid	\$ 234,021	\$ 205,464
Income taxes paid	\$ -	\$ 10,379

The accompanying notes are an integral part of the consolidated financial statements.