

NEWS RELEASE

TSX Symbol: P

**RAILPOWER REPORTS 2007 FOURTH QUARTER AND YEAR END  
FINANCIAL RESULTS**

**BROSSARD, Quebec, March 25, 2008** – Railpower Technologies Corp. (“Railpower” or the “Corporation”) (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, 2007. *(All dollar amounts are in \$CDN unless stated otherwise.)*

**2007 SUMMARY**

- Entered into a subscription agreement pursuant to which the Corporation agreed to sell to Ontario Teachers’ Pension Plan Board (“OTPPB”), by way of a private placement, a \$35 million unsecured convertible debenture; this transaction closed post year end on January 4, 2008
- Produced 97 locomotives and kits and delivered 94 locomotives and kits to Class I Railroads during the year, including 91 locomotives to Union Pacific, thus completing the largest order ever awarded for road switching multi genset locomotives, a new product
- Produced and delivered its first Eco-Crane™, a hybrid diesel electric power rubber crane, commonly used in major port which accomplished 74% fuel savings
- Completed an equity financing raising gross proceeds of \$34.5 million in the first quarter of 2007
- Recalled the Green Goat® series yard switching locomotives, the initial Corporation’s product, with an estimated cost of \$15.5 million for up-grading all 59 units belonging to customers
- Received new orders for 8 locomotives and kits, including four locomotives from Union Pacific and three kits from Norfolk Southern
- As of December 31, 2007, the Corporation had firm orders for 14 locomotives or kits and two Eco-Cranes™ from various clients including new orders mentioned above
- On May 9, 2007, the Environment Protection Agency (‘EPA’) in the United States awarded the Corporation the ‘Clean Air Excellence Award’, choosing Railpower among 77 nominees in that category
- Increased revenue for the year to \$95.8 million from \$25.6 million in 2006
- Recorded a net loss of \$69.6 million compared to \$41.5 million last year

“2007 was a turning point for Railpower. By completing the Union Pacific order in less than 24 months, we demonstrated our capability to meet our customers’ requirements and exceed the standard of the industry in terms of design and manufacturing rapidity. This tremendous achievement is a cornerstone in building our reputation and positioning us for future orders,” said José Mathieu, President and CEO of Railpower. “In terms of product developments, with the experience gained from our road switchers’ fleet of 105 locomotives now in service, we refined our design and launched a complete modular product line. Union Pacific and Norfolk Southern already took advantage of that offering and ordered various models such as two genset four-axle and three genset six-axle locomotives. With this new technological platform

on hand and the investment of OTPPB, we believe we now have the necessary base to consolidate our leadership in the lower horsepower locomotive market in North America.” added Mr. Mathieu.

## **FINANCIAL OVERVIEW**

During the year, the Corporation completed the execution of its biggest order and delivered 91 locomotives to Union Pacific. As a result, the Corporation recorded revenues of \$95.8 million, the highest level of revenues since the incorporation of the Corporation. However, the Corporation did not generate profit on this order as the selling price was below the costs. The Corporation recorded a loss of \$69.6 million which resulted mainly from the following:

- The recall of the Green Goat® series of yard switching locomotives at a cost of \$15.5 million and the related impairment charge on capital assets and leased locomotives of \$4.0 million;
- Overhead, including manufacturing expenses in the amount of \$32.0 million, a level necessary in order to execute our contractual commitments, continue our marketing, research and development activities necessary to ensure the Corporation's future;
- An exchange loss of \$5.2 million due to a rapid increase in the Canadian dollar value;
- An unusual level of scrap and obsolescence in inventory due to the recall of the Green Goat® series and the high number of modifications associated with the production of a new product.

The Corporation's profitability is expected to improve due to its increased ability to accurately estimate costs which is expected to enhance its ability to sell its products profitably. The Corporation is also taking measures in order to reduce costs by implementing a manufacturing system in the coming months and optimizing its supply chain.

## **DETAILED FINANCIAL RESULTS**

For the year ended December 31, 2007, revenue increased to \$95.8 million compared to \$25.6 million last year. Increased revenue in the year resulted from the delivery of 94 locomotives and kits and 1 Eco-Crane™ compared to 28 locomotives and kits in 2006. For the fourth quarter of 2007, revenues are nil as no new deliveries occurred compared to 11 deliveries resulting in \$11.3 million in the fourth quarter of 2006. As at December 31, 2007, the Corporation had firm orders for 14 locomotives or kits and 2 cranes compared to an order book of 108 at the end of 2006.

For the year ended on December 31, 2007, the gross margin totaled (\$15.3) million compared to (\$14.2) million in 2006. The increase in the negative margin is mainly the result of additional material costs, including scrap, obsolescence and consumables amounting to \$10.9 million for 2007, compared to \$3.5 million in 2006, offset by a reduction of \$6.9 million in contract losses. Gross margin in the fourth quarter of 2007 totaled (\$2.5) million compared to (\$7.6) million in the fourth quarter of 2006. This decrease is mainly explained by a contract loss of \$5.8 million recorded in the fourth quarter of 2006 offset by an increase of the unallocated manufacturing overhead expenses of \$1.3 million in the corresponding period in 2007.

Operating expenses for the year ended December 31, 2007 totaled \$27.5 million compared to \$29.7 million for the year ended December 31, 2006. Decreased operating expenses are mainly explained by a reduction in salaries, consulting and travel. Operating expenses for the fourth quarter of 2007 totaled \$7.3 million, compared to \$6.9 million for the fourth quarter of 2006.

Net loss for the year ended December 31, 2007 was \$69.6 million, or (\$0.81) per share compared to a net loss of \$41.5 million, or (\$0.76) per share in 2006. This increase in the loss is mainly explained by a

warranty expense of \$15.5 million following the recall of the Green Goat® series, an increase of foreign exchange loss of \$5.6 million, a reduction of the provision for contract recovery of \$3.6 million, an impairment charge on capital assets and leased locomotives of \$5.0 million and a reduction of the interest income of \$1.2 million partially offset by a reduction of \$2.2 million in operating expenses. Net loss for the fourth quarter of 2007 was \$15.0 million, or (\$0.17) per share, compared to a net loss of \$5.8 million, or (\$0.11) per share for 2006. Despite the decrease of \$5.2 million in the negative gross margin, the increase of the loss is explained by a recovery of a contract loss of \$10.4 million recorded in the fourth quarter of 2006 following the cancellation of a contract, an impairment charge on capital assets and leased locomotives of \$2.0 million recorded in 2007, and an increase of the warranty expenses of \$1.5 million in the fourth quarter of 2007 compared to the same period in 2006.

After the end of the year, the Corporation issued the \$35 million unsecured convertible debenture to OTPPB in connection with the private placement by OTPPB. The debenture has a maturity date of five years from its date of issuance and an interest coupon of 5% per annum, payable semi-annually in either cash or common shares at the discretion of the Corporation. The principal amount of the debenture is convertible, at the election of the holder, in whole or in part, into either common shares or Class A convertible restricted voting shares, at a conversion ratio of \$0.30 per share, representing up to 116,666,667 shares. The private placement was approved at a special meeting of shareholders held on December 18<sup>th</sup>, 2007 and the transaction closed post year end, on January 4<sup>th</sup>, 2008.

This new injection of capital will support the business commitments and growth of the Corporation. Management is actively seeking debt financing to sustain its operating activities. The Corporation's ability to continue as a going concern is dependent on obtaining the aforementioned debt financing and improving its profitability.

Railpower's consolidated financial statements and Management's Discussion and Analysis ("MD&A") as at December 31, 2007 are presented in Canadian dollars, except where indicated otherwise. Railpower's consolidated financial results as at December 31, 2007, are prepared in accordance with Canadian generally accepted accounting principles. The full financial statements and MD&A will be filed on SEDAR ([www.sedar.com](http://www.sedar.com)) today and will be available on Railpower's website ([www.railpower.com](http://www.railpower.com)) today.

## **OUTLOOK**

For 2008, the Corporation will focus its efforts in securing new orders, completing the execution of the current orders and managing the Green Goat® recall. It will streamline processes for greater savings and efficiency, optimize the mix of in-sourcing and outsourcing for better quality at the lowest cost, and improve the supply chain by seeking long-term partners.

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

José Mathieu, President and CEO of Railpower, will host a conference call tomorrow at 9:00 am (EST) to review the financial results. All interested parties are invited to participate. The telephone numbers to access the conference call are 416-644-3421 or 1-800-595-8550 (toll free). 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 Wednesday, April 2, 2008, by calling 416-640-1917 or 1-877-289-8525 (toll free) reference number 21266753#.

## **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 Brossard, 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, and 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, the ability to secure new orders, the ability to retain our employees, product development or manufacturing delays, the ability of our current manufacturing supplier to meet our production demands in terms of quantity, quality and costs, our ability to reach a satisfactory agreement with another supplier if necessary or to build, rent or buy a manufacturing facility, 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 or new competitors, 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, potential legal liability related to the recall of our Green Goat® locomotives, 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.*

**For information, please contact:**

<p>Kamila Wirpszo Vice-President, General Counsel and Corporate Secretary Railpower Technologies Corp. Tel: (450) 678-5277 ext.518 Toll Free: 1-866-678-5277 Email: kwirpszo@railpower.com</p>	<p>Lorraine Potvin Vice-President, Chief Financial Officer Railpower Technologies Corp. Tel: (450) 678-5277 ext.516 Toll Free: 1-866-678-5277 Email: lpotvin@railpower.com</p>
--	--