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Interviews & News!

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RailPower Technologies Is In The Business Of Rebuilding And Updating Older Locomotives, Installing A Brand New Hybrid Power Plant That Attains The Customers Goal Of Preserving Fuel And The Environment At The Same Time



Transportation
Technology Systems
(P-TSX)

RailPower Technologies Corp.

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Jose Mathieu
President and CEO

BIO:

José has over 20 years of experience in a number of senior management positions at Bombardier Transportation with responsibility for engineering, operations, manufacturing and product service and challenging international assignments. Prior to joining Railpower he was located in New York City as Vice President of Bombardier. José earned his mechanical

engineering degree from Laval University.

Company Profile:

Railpower Technologies (TSX: P) is engaged in the development, construction, marketing and sales of specialized, patented, environmentally friendly power plants 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. It U.S. office is located in Erie, Pennsylvania.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Mr. Mathieu, what was your vision when you became CEO at RailPower Technologies and where are you today?

Mr. Mathieu: "My vision was to build a company based on new technologies. These are technologies that are good for the environment, but also high technology, and also preserve resources. What happened was that we have been looking at that for a year and a half, and now we have two product lines that fulfill this goal."

CEOCFO: Please tell us about the two product lines and what is unique about them?

Mr. Mathieu: "The original product line is locomotives. What we do is we obtain from our customer an old locomotive that

is between 25 to 50 years old, where the power plant became obsolete as per today's standards. We obtain the wheels, axels and other components and install a brand new hybrid power plant to attain our goal of preserving fuel and the environment at the same time. When we are finished it is like a new locomotive updated to today's technology."

CEOCFO: You just recently completed 98 locomotives in less than 24 months—that is quite an accomplishment.

Mr. Mathieu: "Yes we are very proud of this because since the beginning of the company, the company has produced one type of locomotive which is a battery dominant yard switcher. In 2005, Union Pacific came to us and they showed an interest in a new type of locomotive called a road switcher, with three diesel engines instead of one. We said we could design it and build it and within 24 months, we had the locomotive designed. We had to deliver 98 to Union Pacific and a few to other customers, which is an extremely fast track in this type of environment."

CEOCFO: Is this a patented technology?

Mr. Mathieu: "Yes, it is part of our core technology. When we do something, we look to see if it is possible to patent it. Our yard switcher technology is fully patented. We have patents pending on this new design. We have patents issued this year and early next year."

CEOCFO: Please tell us about the locomotive market in general.

Mr. Mathieu: "We are a niche manufacturer, but there are several types of locomotive in North America. There is a Main Line locomotive to go from one

large city to another large city. There is also a yard switcher locomotive, for locomotives that are confined in the yard and in the middle there is a road switcher locomotive or a branch line locomotive. The road switcher locomotive is our target market because there are 6000 of these locomotives. They are used to go to the customer and from the customer. They are all between 25 and 50 years old and this is where the railroads are going to put their investment money in terms of locomotives in the next 10 years. Therefore, we designed a product specifically for this market of 6000 road switchers in North America.”

CEOCFO: Tell me more about the eco-friendly area?

Mr. Mathieu: “In terms of the locomotive our main product for now is that we replace an engine that is 50 years old so that at that time when it was designed, being environmentally friendly wasn’t a criteria of the design. Therefore, we destroy the old engine and replace it with 2007 engines, which are the latest standards in terms of emissions. These are called Tier-3 engines and they are the cleanest engines produced. The end result is that the locomotive emits ten times less pollution in the air than the old engine. It is quite an achievement. We are replacing 50 year old technology. If you replace a 10 year old automobile with one of today you would gain a few percent in terms of emissions, because it is slightly cleaner. However, if you replace something that is 50 years old, you gain a lot and in addition, the old single engine runs all of the time, whereas with our locomotives we have 3 engines and there is a very sophisticated computer and software that powers them only when they are needed. Most of the time you can do the work with 1 or 2 engines and sometimes you may start the 3rd one, but may not need it. Therefore, that makes the locomotive much more fuel efficient and much more friendly for the environment.”

CEOCFO: What about your facilities? Do you have what you need to go forward?

Mr. Mathieu: “Since the beginning of the company we have been subcontracting out the final assembly. However, we monitor them, supply them with all of the work instructions, quality, and test plans and we have our own people there. We have two contractors, one in Montreal, Canada and the other in Schenectady, New York. This gives us some flexibility on the positive side, but on the negative side, we have a little less control than if we had our own plant. Therefore, we have plans to control our own operations, either to buy or lease a plant for the future, as the volume of the business grows.”

CEOCFO: Tell us about the cranes market?

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- Jose Mathieu

Mr. Mathieu: “That is an interesting application of our locomotive technology. In fact, what happened was that a port operator came to us about a year and a half ago and they wanted to expand their operation. However, they were told no because of too much noise and too much pollution in the air. Therefore, they came to us for a solution and we looked at that and it is a very similar technology to our locomotive where we can replace a very large power plant with a much smaller one and a battery bank. What happens is that you use the battery energy when you lift the containers and when you drop the containers somewhere we can regenerate most of the energy into the battery. That is why we save around 75% of fuel as compared to a conventional crane. When

you save 75% of fuel, you save at the same time at least the same amount of emissions in the air and noise. It is much more friendly for the people around the yard. We have an order for three of these and we are developing them; one has been in operation for a few months now and we will be installing the two others very shortly. After that, we will launch a major sales campaign because this is a break through technology. If you take a conventional crane, you can improve it by 5 or 10% by adding a slightly more modern engine, or shutting it down when you do not need it. But nothing approaches the 75% savings that we have now. We are confident this will be a good business for us in the future.”

CEOCFO: You have a very substantial technology!

Mr. Mathieu: “Yes, because the beauty is that we can regenerate the energy. With a conventional crane when you drop the container somewhere, you just generate heat in the air, which is a complete loss. In our case, instead of doing that, we are recycling the energy, so that is why we can have these tremendous savings.”

CEOCFO: What is the competitive landscape for you?

Mr. Mathieu: “For the cranes we are absolutely alone, and again our technology has a patent pending. For the loco-

motive there are people who can do the same thing that we are doing, this market is big. There are 6000 locomotives that have to be transformed within the next ten years, so that is a big market. We have two or three competitors in the market, but that is fine with us.”

CEOCFO: Why should the railroads choose you?

Mr. Mathieu: “Because our technology is slightly more advanced than our competitors. We have better controls. Our controls are liquid cooled instead of air-cooled and our software is more sophisticated. Therefore, the overall performance of our locomotives is better. In addition, we are working on building a cost advantage as compared to our competitors.”

CEOCFO: Do you need to add to your management team as you expand?

Mr. Mathieu: “We have a whole new management team because this company until about a year-and-a-half ago was more an R&D type of organization trying to develop a product for the future. When you do R&D, you have a specific type of people. However, we have transformed the company, but kept a very specific engineering force. We also needed people with expertise in procurement, manufacturing, tooling, quality and testing; these types of functions. As the company grew we needed a good finance department to better control our cost. We had bigger departments and needed human resources, so we really built the company around these standard functions.”

CEOCFO: What is the financial picture for RailPower Technologies?

Mr. Mathieu: “It was fine until about a

month ago as we had a good amount of cash ahead of us. What happened was that the company has produced 65 locomotives between the year 2000 and 2005, but they were produced when the company was in a development stage. Therefore, we needed to recall all of them because we needed to upgrade them to the latest technology to make them safe and good locomotives. We are going to have to invest \$15 million to recall the 65 locomotives, so that is putting a strain on our finances, but we are now looking into ways to get some financing for the company. We needed to do that for two reasons, first we are people that stand by our products for one, and second, to demonstrate to our future customers that we support them to the end.”

CEOCFO: Why should potential investors be interested and what might they miss when they first look at RailPower

that they should be aware of?

Mr. Mathieu: “We are positioning the company with technology that is going to be more and more in demand because everyone knows that the price of oil goes up and you cannot go back in the past. In addition, people are more concerned about the environment, so our product helps the world in these two areas, to save fuel and the environment. We are positioning the company so our product will be more and more in demand by the people.”

CEOCFO: What should people remember most about RailPower Technologies?

Mr. Mathieu: “We have transformed the company into a young, innovative, high-technology company that is making products to make the lives of the people better.”



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