



## For Immediate Release

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### CLIPPER WINDPOWER PLC ANNOUNCES RESULTS FOR THE YEAR ENDED 31 DECEMBER 2005

Clipper Windpower Plc (London Stock Exchange: AIM-CWP) and its subsidiaries (together "Clipper", "the Group" or "Clipper Windpower"), a leading manufacturer of advanced wind turbines and developer of wind energy projects, is pleased to announce its results for the year ended 31 December 2005.

#### Highlights

- Flotation on AIM in September 2005 with approximately £60.6 million (\$110 million) raised after expenses.
- Successful deployment and operational testing of 2.5 MW Liberty I wind turbine at Medicine Bow, Wyoming.
- Establishment of major assembly facility in Cedar Rapids, Iowa, capable of production in excess of 20- 25 wind turbines per month.
- Broadened product line to meet a greater range of market conditions with Germanischer Lloyd turbine certification to international industry standards for 93 and 96 metre rotors to enhance competitive position.
- Term sheets signed with three parties as part of ongoing negotiations for the sale of total of 146 turbines.
- Active negotiations are underway for sale of both the Endeavor Project (60 turbines) and the Criterion Project (20 turbines, Phase 1) with the former planned for 2006 and the latter for 2007.
- Increase in development projects at contract stage from 301 MW at the time of the IPO to 461 MW currently.
- Strengthened Clipper's management team and overall human resources, with appointment of key senior level positions and employee growth to current 127 from 49 at the end of 2004.

#### For further information, please contact:

James GP Dehlsen, Chairman and CEO + 1 805 690 3278  
Colin Moynihan, Director + 44 20 7820 1078

This announcement was approved by the Board of Directors on 30 March 2006. A copy of this announcement and the Annual Report and Financial Statements for the year ended 31 December 2005 (including a Notice of Annual General Meeting) will be available for inspection on the Group's website at <http://www.clipperwind.com>.

*The ordinary shares of Clipper Windpower Plc are traded on the Alternative Investment Market of the London Stock Exchange and are not registered under the US Securities Act 1933, as amended. Such shares may not be offered or sold to residents of the United States or to persons acting on their behalf, or to other persons who are "United States Persons" within the meaning of Regulation S as promulgated under the Securities Act of 1933, unless such shares have been registered under the Securities Act or there is an available exemption from registration.*

## **Chairman's Statement**

### Introductory Remarks

Clipper Windpower Plc commenced trading on AIM on 15 September 2005. Over the six month period since the IPO, we have made significant progress with the execution of our business plan. We have secured important additions to the senior management team with the appointments of Charles Williams as Chief Financial Officer and Robert Gates as the Senior Vice President to lead Clipper's commercial activities. We have increased our employee numbers from 55 at IPO to 127 today. In response to continuing high levels of interest in our Liberty turbine, we have significantly strengthened our sales and marketing capability, expanded the product line and fitted out our new assembly facility in Cedar Rapids, Iowa. As a result of a company-wide Quality Management System Audit, we were awarded ISO 9001:2000 QMS (manufacturing/assembly) certification in January of this year.

Turbine selling prices remain firm, and projected manufacturing costs are consistent with our business plan. The strength of our relationships with our component supplier base, which in some cases dates back to previous generations of turbines within the experience of our management and engineering teams, allows us to remain confident in our sourcing capacity. By the end of 2006, we expect to be producing turbines at a rate of 20 to 25 units a month at our assembly facility in Iowa. We have begun the process of identifying locations for additional assembly facilities.

### Turbine Status and Germanischer Lloyd Certification

We have high confidence that the 2.5 MW Liberty turbine represents leading edge technology in the world wind turbine market. Designed for higher efficiency, greater durability, and lower operating costs, the Liberty I turbine, installed in March 2005 at our test site in Medicine Bow, Wyoming, has delivered strong performance against the background of a rigorous testing programme.

One objective of the prototype turbine testing programme was blade optimisation which resulted in the strategic decision to proceed with development of a 96 metre rotor (vs. the 93 metre test rotor), a step which required new Germanischer Lloyd Certification for the turbine. The rotor programme was successfully completed with Germanischer Lloyd Certification issued on 7 March 2006. During this time period, we took the opportunity to broaden our product line in order to meet a greater range of market conditions. From the 93 metre baseline machine at the time of the IPO, we now have turbine certification for 93 and 96 metre rotors, and certification of an 89 metre rotor is pending.

## Turbine Orders

Clipper's 2.5 MW Liberty has now undergone exhaustive due diligence by several major buyers, often supported by outside expert technical groups. The technical reviews have been uniformly favourable, with buyers generally impressed with the design concepts, operating efficiencies, and the likely reduced maintenance costs of the Clipper architecture. In December 2005 we reported the first three executed term sheets for turbine sales. Although we have ended discussions with one of the reported term sheet buyers (8 turbines, 20 MW), we have recently entered contract negotiations with another major electricity utility for the purchase of a 50 MW (20 turbines) turnkey project. Contract negotiations with these three parties for the sale of a total of 146 turbines are continuing and we expect at least 50 of these turbines will be for delivery in 2006 and the balance in 2007. European interest in the Liberty turbine has increased with early stage discussions on turbine supply underway in seven countries.

As a result of broadening the product range and the certification process required, the manufacturing roll-out has been delayed causing a revision in production to a range of 100-110 turbines for 2006 as compared to the originally planned 155 turbines for the year. However, we confirm that we still expect to meet our production target of 250 turbines in 2007. Sales of projects and turbines are expected to step up in second quarter 2006, and we believe we have reasonably good visibility for sales of Liberty turbines for all our projected turbine production well into 2007.

## Project Development

When the Group was formed in 2001, interest in acquiring wind resource assets in the United States was low. In that environment, we initiated an aggressive programme of accumulating wind resource rights. Recently we have seen major corporate players coming into the wind development business actively seeking project opportunities. This has started to drive up the value of wind resource assets - a trend which appears likely to continue.

Since the IPO, we have added new wind resource sites in nine US states. However, the main emphasis of the development team has been to advance projects within our portfolio to the "Contract Stage" which, during the period, have increased from 301 MW to 461 MW. Contract Stage projects are those that we believe are sufficiently advanced to be transaction candidates. In this category both the Endeavour Project (60 turbines) and the Criterion Project (20 turbines, Phase 1) are in active negotiation with electricity utilities and other institutional buyers. The Endeavor Project is based on delivery of turbines in 2006 and Criterion for delivery in 2007.

Due to higher fuel costs, there is an increasing trend by some of the major electricity utilities to pursue a merchant wind plant approach for the purpose of realising higher power sales revenues; this also carries potentially higher volatility due to being uncontracted for the sale of power. On balance this should add to market demand for projects, and have a positive effect on the Clipper development portfolio.

## Conclusion

The US and international markets for wind energy continue to strengthen. The high cost of fossil fuel for power generation, coupled with reductions in wind turbine cost of energy, has made a reality of wind as a fuel displacement technology for the first time in our history. Above all Clipper, as a leading windpower technology company, is addressing the market need for large turbines based on mechanical and controls designs appropriate to larger scale, where some of our competitors' turbines have reached the limits of scaling up conventional architecture.

Wind project development risk remains, and timing of turbine sales and the sell-down of development projects are difficult to forecast accurately. Our Group and the management team are well experienced to address these challenges and the demands of the high growth phase we have now entered. We are committed to gaining top tier performance in the wind industry.

James GP Dehlsen  
Chairman and CEO

## **Business and Financial Review**

### **Business Review**

Clipper Windpower Plc and its subsidiaries (together "Clipper", "the Group" or "Clipper Windpower"), based in the US, is engaged in the design, engineering and manufacture of advanced wind turbines and developing wind energy projects, including engineering, construction, project financing and plant operation. Since it was founded in 2001, Clipper Windpower's experienced management and engineering team of top wind power industry professionals have focused on developing advanced wind turbine technology- embodied in the architecture of Clipper's Liberty 2.5 MW wind turbine. The Liberty turbine has been designed with technological improvements to provide a machine that is more efficient, more reliable, easier to erect and maintain and that offers a significantly longer life than conventional wind turbines in the market.

Clipper Windpower's strategy is to manufacture and sell wind turbines to third parties and also to develop wind energy projects into which the Liberty turbine can be deployed. The majority of the Clipper Windpowers' sales prospects and projects in development are in North America, but indications of interest outside North America are encouraging and negotiations for turbine sales continue with parties in Latin America and Europe.

## Global Wind Energy Market

The global wind energy market continued healthy growth in 2005. According to the Global Wind Energy Council, installed wind capacity worldwide increased by almost 25% last year, growing from 47,620 megawatts (MW) at the end of 2004 to 59,322 MW at the end of 2005. In North America, installed wind capacity grew by over 37% last year, increasing from 7,169 MW at the end of 2004 to 9,832 MW at the end of 2005. In Europe, installed capacity grew by over 18%, increasing from 34,637 MW at the end of 2004 to 40,904 MW at the end of 2005. The total value of new wind generating equipment installed worldwide in 2005 was over \$14 billion.

The US is a vast yet relatively underdeveloped wind energy market which has recently been aroused by the two year extension of the Federal Production Tax Credit ("PTC") through 2007. Additionally, the number of state level support programs for renewable energy development has increased, and the US President affirmed support for renewable energy in his 2006 State of the Union address. As a result, interest in the Liberty turbine by electricity utilities and project developers has exceeded our expectations.

## Clipper Technology

The Liberty turbine received certification to international standards in March 2005 with the expanded product range of 93 and 96 metre rotors receiving certification in March 2006. The Liberty turbine 89 metre rotor certification is expected to be issued within 45 days. The first commercial prototype of the C-93 model of the Liberty turbine was erected in Medicine Bow, Wyoming and began selling power to the Platte River Power Authority in April 2005. Sales of Liberty turbines to third parties and deployment into projects developed by Clipper are expected to commence in 2006.

A number of important activities took place in 2005 in preparation for the assembly and sale of Liberty wind turbines:

- On 15 September 2005, the Group's shares were admitted to the London Stock Exchange's Alternative Investment Market ("AIM") following the placing of 34,210,527 new ordinary shares of 10p each with institutions at a price of 190p (\$3.47) per share. After expenses, this placing raised approximately £60.6 million (\$110 million). The proceeds will be used to fund the tooling, manufacture and assembly of the Liberty turbine and for continuing project development and construction. In addition, the Group intends to use the proceeds to expand and strengthen the management and engineering team and for further development and commercialisation of its technology.
- Clipper obtained a long-term lease for a 54,400 square foot manufacturing and assembly facility with suitable overhead cranes in Cedar Rapids, Iowa, USA. This facility provides the capacity to assemble approximately 250 turbines per year with two shifts.

- Staffing at the new Cedar Rapids facility commenced and the Group's overall management and engineering resources were strengthened. The number of Group employees at 31 December 2005 totalled 85 compared with 49 at the end of 2004.
- Turbine component procurement activities commenced. A total of \$79.6 million in financial commitments were outstanding at the end of 2005, including commitments pursuant to long-term supplier contracts. Our procurement policy focuses on ensuring quality control and supplier warranty responsibility. To achieve this we have re-established some of the long standing relationships we had with principal component manufacturers from prior to the formation of Clipper. We have significantly added to our quality assurance team since the IPO, also ensuring that our employees are regularly on site with our suppliers. This approach has proved effective in a strongly competitive global procurement market. We have further bolstered our procurement capacity by investing in the necessary tooling to meet our planned ramp rate to 20-25 machines a month, and we have broadened the list of qualified component suppliers. As a result, we do not expect any material supply constraints, either in the form of increased pricing (other than commodity price pass-throughs) or in the proposed delivery schedules which are central to our roll-out plan.
- Clipper's intellectual property was strengthened in 2005 with three additional US patents granted. At the end of 2005, the Group had a total of seven US patents granted, with applications pending or allowed on a further eight patents covering key components, processes and methods. On 29 December 2005, Clipper was allowed a US patent on its variable speed controls technology. This is an important component in the Clipper technology patent portfolio since it provides an efficient way of achieving variable speed turbine operation along with power quality features which electricity regulatory agencies and grid operators are increasingly demanding from power generators.

## Financial Review

Turnover for the year ended 31 December 2005 was \$2,725,678, compared to \$10,393,365 for the previous year. The main reason for the \$7,667,687 turnover reduction was the sale of the Intrepid project in 2004, with no major development project sales recorded in 2005. Lower grant revenue in 2005 from the US National Renewable Energy Laboratory versus 2004 was the other major contributor to the turnover reduction. No sales of wind turbines were recorded in 2005 or 2004.

The net loss for the year ended 31 December 2005 totalled \$19,101,733, versus a loss in the previous year of \$3,873,370. The 2005 results reflect the previously-described reduction in turnover as well as increased costs generally associated with ramping up production, engineering and management capabilities in preparation for anticipated sales of wind turbines.

Cost of sales includes all costs associated with engineering, manufacturing, project development and service activities. Cost of sales for the year ended 31 December 2005 was \$13,673,336, compared with \$9,025,535 in 2004. The \$4,647,801 increase was mainly due to higher employee related costs and depreciation charges compared to 2004.

Administrative expenses for the year ended 31 December 2005 totalled \$7,418,801 compared with \$4,903,172 in the previous year. The \$2,515,629 increase was driven by higher employee related costs as the Group strengthened its management team and administrative capabilities.

As of 31 December 2005, the Group had investments in cash and interest-bearing deposits totalling \$104,040,713, compared to \$3,190,348 at the previous year-end. The higher invested balances in 2005 resulted in total interest income of \$1,412,038, offset by foreign exchange losses recognised in the period, resulting in net finance charges of \$928,502 for the year ended 31 December 2005, as compared to income of \$19,252 in the previous year. The main contributor to the \$947,754 finance charge increase was a realised loss associated with the conversion of share placement proceeds into US Dollars.

James B Dehlsen  
Chief Operating Officer

Charles H Williams  
Chief Financial Officer

**Consolidated profit and loss account**

For the year ended 31 December 2005

	<b>2005</b>	<b>2004</b>
	<b>US\$</b>	<b>US\$</b>
<b>Turnover</b>	2,725,678	10,393,365
Cost of sales	<u>(13,673,336)</u>	<u>(9,025,535)</u>
<b>Gross (loss) profit</b>	(10,947,658)	1,367,830
Administrative expenses	(7,418,801)	(4,903,172)
Other operating income	<u>37,318</u>	<u>68,858</u>
<b>Operating loss</b>	(18,329,141)	(3,466,484)
Losses from joint venture	<u>(154,471)</u>	<u>(101,417)</u>
<b>Loss on ordinary activities before interest and tax</b>	(18,483,612)	(3,567,901)
Finance (charges)/income (net)	<u>(928,502)</u>	<u>19,252</u>
<b>Loss on ordinary activities before taxation</b>	(19,412,114)	(3,548,649)
Tax charge (credit) on loss on ordinary activities	<u>310,381</u>	<u>(313,231)</u>
<b>Loss on ordinary activities after taxation</b>	(19,101,733)	(3,861,880)
Minority interests	<u>-</u>	<u>(11,490)</u>
<b>Loss for the financial year, transferred from reserves</b>	<u>(19,101,733)</u>	<u>(3,873,370)</u>
<b>Loss per share – basic</b>	<u>(26.9¢)</u>	<u>(6.3¢)</u>

**Consolidated balance sheet**

For the year ended 31 December 2005

	<b>2005 US\$</b>	<b>2004 US\$</b>
<b>Fixed assets</b>		
Intangible assets	48,301	194,930
Tangible assets	15,521,725	4,229,718
	<u>15,570,026</u>	<u>4,424,648</u>
<b>Current assets</b>		
Stock	6,549,644	-
Debtors: amounts falling due within one year	4,069,397	10,965,430
Cash at bank and in hand	104,040,713	3,190,348
	<u>114,659,754</u>	<u>14,155,778</u>
<b>Creditors: amounts falling due within one year</b>	<u>(8,134,257)</u>	<u>(5,087,307)</u>
<b>Net current assets</b>	<u>106,525,497</u>	<u>9,068,471</u>
<b>Total assets less current liabilities</b>	122,095,523	13,493,119
<b>Creditors: amounts falling due after more than one year</b>	(421,155)	(232,326)
<b>Share of joint venture assets / (liabilities)</b>		
<i>Share of gross assets</i>	85,904	110,347
<i>Share of gross liabilities</i>	(377,942)	(243,407)
	<u>(292,038)</u>	<u>(133,060)</u>
<b>Net assets</b>	<u>121,382,330</u>	<u>13,127,733</u>
<b>Capital and reserves</b>		
Share capital	17,443,218	11,113,295
Share premium account	104,107,672	-
Capital redemption reserve	91,140	-
Merger reserve	35,106,952	18,294,564
Other reserves	28,517	-
Profit and loss account	(35,395,169)	(16,280,126)
	<u>121,382,330</u>	<u>13,127,733</u>
<b>Equity shareholders' funds</b>	<u>121,382,330</u>	<u>13,127,733</u>

**Consolidated cash flow statement**

For the year ended 31 December 2005

	<b>2005 US\$</b>	<b>2004 US\$</b>
<b>Net cash outflow from operating activities</b>	(20,626,529)	(2,590,016)
<b>Returns on investments and servicing of finance</b>		
Interest received and similar income	1,412,038	24,746
Interest paid and similar charges	<u>(2,340,540)</u>	<u>(5,494)</u>
	(928,502)	19,252
<b>Capital expenditure and financial investments</b>		
Payments to acquire tangible fixed assets	(12,655,264)	(3,575,665)
Payments to acquire intangible fixed assets	<u>(6,170)</u>	<u>(88,050)</u>
	<u>(12,661,434)</u>	<u>(3,663,715)</u>
<b>Cash outflow before financing</b>	<u>(34,216,465)</u>	<u>(6,234,479)</u>
<b>Financing</b>		
Issue of ordinary share capital		
-proceeds from issues prior to IPO	24,613,042	8,938,089
-proceeds from issues on or after IPO	118,624,986	-
Costs associated with issue of share capital	(8,171,198)	-
Redemption of shares	<u>-</u>	<u>74,948</u>
	<u>135,066,830</u>	<u>9,013,037</u>
<b>Increase/(decrease) in cash in the year</b>	<u>100,850,365</u>	<u>2,778,558</u>

## **Notes to Financial Statements**

### **Announcement based on audited accounts**

The financial information set-out above does not constitute the company's statutory accounts for the years ended 31 December 2005, but is derived from those accounts. Statutory accounts for 2005 will be delivered to the Registrar of Companies following the company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under s.237(2) or (3) Companies Act 1985.

The information presented herein has been prepared on the basis of current UK generally accepted accounting principles (UK GAAP) and on the basis of the Group's usual accounting policies. The accounting policies are set out in the Group's financial statements for the year ended 31 December 2005 which will be available to shareholders shortly.

### **Merger Accounting**

The consolidated financial statements of Clipper have been prepared on merger accounting principles under UK generally accepted accounting principles ("UK GAAP"), as if Clipper Windpower Plc had been the parent company of the Group throughout the current and the prior year. The consolidated financial statements therefore reflect the results and financial position of the Group on a consistent basis for 2004 and 2005, although Clipper Windpower Plc only became the legal parent of the Group on 14 September 2005. Prior to that date, the parent company of the Group was Clipper Windpower, Inc., now a subsidiary of the Company.

## Loss per share

The calculations of earnings per share are based on the following profits and numbers of shares.

	Basic		Diluted	
	2005	2004	2005	2004
	\$	\$	\$	\$
Loss for the financial year	<u>(19,101,733)</u>	<u>(3,873,370)</u>	<u>(19,101,733)</u>	<u>(3,873,370)</u>

	2005	2004
	Number of shares	Number of shares
Weighted average number of shares:		
For basic earnings per share	70,997,108	60,968,269
Exercise of share options	<u>6,596,886</u>	<u>4,649,672</u>
Shares for dilution calculation	<u>77,593,994</u>	<u>65,617,941</u>

	2005	2004
<b>Loss per share</b>		
Basic	(26.9¢)	(6.3¢)
As diluted	<u>(24.6¢)</u>	<u>(5.9¢)</u>

As the effect of the dilution calculation is to reduce the loss per share in 2004 and 2005, no diluted earnings per share has been disclosed on the face of the consolidated profit and loss account.

The loss per share above has been calculated based on merger accounting principles, as if the current capital structure were in place throughout 2004 and 2005. The loss per share for 2004 as disclosed in the accounts of Clipper Windpower, Inc., based on its capital structure, was 19¢, or 13¢ on a diluted basis.

### Reconciliation of movements in Group shareholders' funds

	2005	2004
	\$	\$
Loss for the financial year	(19,101,733)	(3,873,370)
Other recognised gains and losses relating to the year (net)	(13,310)	(9,773)
	<u>(19,115,043)</u>	<u>(3,883,143)</u>
Par value of new shares issued	6,329,923	-
Share premium arising	112,154,968	-
Costs of shares issued	(8,047,296)	-
Preference shares issued	91,140	-
Merger reserve arising	16,812,388	16,873,659
Share options not yet exercised	28,517	-
	<u>108,254,597</u>	<u>12,990,516</u>
Net addition to shareholders' funds	108,254,597	12,990,516
Opening shareholders' funds	13,127,733	137,217
	<u>121,382,330</u>	<u>13,127,733</u>
Closing shareholders' funds	121,382,330	13,127,733

### Reconciliation of operating profit to operating cash flows

	2005	2004
	\$	\$
Operating loss	(18,329,141)	(3,466,484)
Depreciation	1,806,568	185,956
Amortisation and impairment charges	152,799	3,350
Increase in bad debt provision	-	172,528
Increase in debtors	(903,968)	(1,951,738)
Increase in stock	(6,549,644)	-
Increase in creditors	3,196,857	2,466,372
	<u>(20,626,529)</u>	<u>(2,590,016)</u>
<b>Net cash outflow from operating activities</b>	<b>(20,626,529)</b>	<b>(2,590,016)</b>

### Annual General Meeting

The Annual General Meeting of Clipper Windpower Plc will be held at 10:00 a.m. on 31 May 2006 at Lehman Brothers Europe, 25 Bank Street, London E14 5LE, United Kingdom.