

Dear Sir or Madam,
Dear friends,



we are looking back cheerfully on 2005 and can proudly announce that we have achieved all the goals we set ourselves for the year! In Wismar, SkySails demonstrated a fully functioning SkySails system on board of the experimental vehicle "Jan Luiken" in front of the international media and other guests. From the customer perspective we are registering a significantly increased interest and have gained Bremen's shipping company Beluga Shipping as our first customer. While the development of the technology is proceeding according to schedule,

our developers have managed to notably reduce the projected costs.

For the coming year our goals are no less ambitious: In addition to raising further equity capital within the framework of our final round financing, we will increase the kite area up to 160m² and carry out practical tests jointly with pilot customers for the first time. We are looking forward to continuing collaboration with you and wish you a successful New Year!

Best Regards,

Stephan Wrage (managing partner)

SkySails is flying!

After almost four years of intensive development work we have achieved what many believed to be impossible: SkySails is flying! 220 guests were impressed when on 15th October 2005 the first live worldwide demonstration of SkySails technology and its functionality took place on the Baltic Sea near Wismar in front of international camera crews (including, among others, the BBC).

Although the expected "stiff breeze" was absent, all the system's components functioned smoothly.



Test vehicle „Jan Luiken“

Eco-Tech Award

On 1st September 2005, SkySails was awarded the "Global 100 Eco-Tech Award" at the EXPO 2005 in Japan. The prize worth 7,000 euros was awarded by the "Japanese Association for the 2005 World Exposition". The prize was awarded to the 100 best technologies contributing to the solution of global resource problems. Alongside SkySails, the hybrid vehicle Toyota Prius, was also awarded the "Global 100 Eco-Tech Award".

First sales contract signed!

BELUGA GROUP SkySails has gained its first customer: The first sales contract - for a 160m² cargo ship system - was signed with the Beluga Group at the beginning of the year.

The Beluga Group is a young shipping company with 120 employees in Bremen and a further 30 employees internationally - in Rotterdam, Houston, Shanghai, Peking and Sao Paulo. Being a comprehensive logistics service provider, in the area of projects and heavy cargo, with its own fleet of 28 ships offshore and further units under construction, it is important for them to respond to circumstances flexibly.

"In 2006 Beluga will become the first customer to use a SkySails system. The Skysails technology is ready for market entry exactly at the right time - the rising and continuously high price of oil is a matter that ship owners are already dealing with in order to be competitive in the present and future market. Furthermore, significantly tightened emission regulations, through which increasing costs will accrue, are being put into place. Offshore wind energy is an unbeatable cost-effective propulsion source available in large quantities, and we expect to gain a considerable competitive advantage by using the innovative SkySails system as a pioneer in this field. The technological obstacles have been overcome as far as Beluga are concerned." says captain and managing partner Niels Stolberg.

Launch of the 3rd round financing

According to plan SkySails is starting its 3rd round financing with the exclusive financing partner, the Oltmann Group from Leer in the first quarter of 2006. Altogether SkySails will be allocated 7 million euros equity capital by strategic, institutional and private partners.

With the funds from 3rd round financing SkySails technology for cargo ships will be developed in readiness for the start of production. In parallel, the sales and service network as well as the production capacities and logistics network will be established. In the yacht market the sales and service department will be set up in collaboration with renowned and internationally established partners and the SkySails system will be scaled up to an area of 160 m².

SkySails offers private investors a shareholding as a capital partner (Kommandit-shareholding) for 50,000 euros upwards. The renowned ship financier Jan Luiken Oltmann Gruppe GmbH & Co. KG from Leer and its consultants have been assigned to raise the shareholding capital. If you are interested in investing in SkySails, please contact the Oltmann Group, who will be happy

to send you our up-to-date investment proposal, in one of the following ways:

www.oltmanngruppe.de
Phone: +49 (0) 800 - 55 444 00
Fax: +49 (0) 700 - 55 44 66 44



SkySails as a member of the delegation of the Free and Hanseatic City of Hamburg in Japan and Korea

The governing mayor of the Free and Hanseatic City of Hamburg, Ole von Beust, invited SkySails to join his economy and science delegation to Japan and Korea in early October 2005. The delegations stops included Tokyo, Yokohama and Osaka in Japan, and Seoul and Busan in Korea. The aim of the trip was to expand and deepen contacts with areas of old and new growth in Asia. At the reception at the German embassy in Tokyo, SkySails exhibited from its own stand. During the trip Stephan Wrage developed valuable contacts in Japan and Korea's leading shipping companies.

Brief introduction: SkySails advisory board

As a young technology business SkySails relies on the support of experienced experts. SkySails has managed to attain professional and extremely experienced and qualified personalities from the areas of company development and shipping as members of its advisory board. With their extensive experience they contribute considerably to the speed and direction of the company's development.

Samuel Simonsson (head of the advisory board) is the founder and the long-standing head of the management board of the world-leading manufacturer of industry lasers, Rofin Sinar, and possesses extensive expertise and practical experience in the establishment of technology businesses. Today he accompanies technology businesses domestically and abroad as a member of advisory or supervisory boards.



Prof. Dr.-Ing. Gerhard Jensen (deputy chairman of the advisory board) has taught shipbuilding at the Technical University of Hamburg-Harburg and was head of the Hamburg Ship Model Basin (HSVA) for many years. Today he is manager of the ship propulsion manufacturer Schottel GmbH & Co. KG. Thus, he has considerable experience in the design of ships and substantial market expertise.



Andre Tonn is manager of the lead-investors of SkySails, the Oltmann Group and has over 15 years of business experience in ship financing. He has excellent market know-how, incomparable contacts and comprehensive branch know-how which he contributes in the advisory board.



Herrmann Neemann is considered throughout Germany to be one of the most successful tax consultants for shipping companies. Through the supervision of over 200 ships he has close international contacts with shipping companies and possesses detailed industry knowledge.

