

DEAR MADAMS AND SIRS, DEAR FRIENDS,

The third and final round of financing for private investors was closed successfully and according to schedule on December 31st, 2006. This marks the beginning of a new chapter in the history of SkySails: while the focus has lain on the development of the technology so far, our company is now preparing its market entry.

The first ships of our pilot customers are currently at project planning stage. This year the MS "Beluga SkySails", the first cargo ship with a SkySails propulsion, will go into service. The last major technological hurdle which we now have to clear in cooperation with our pilot customers is to raise the reliability and the degree of automatization of the system to the level that our customers expect in practical operation. This is – as in the years before – an important challenge requiring all of our skills and expertise.

Parallel to that, the company is building up the resources necessary to be

able to optimally attend to our customers and to smoothly manage the – hopefully fast-growing – market demands after successful completion of the pilot phase.

First signs of a heavy demand are already clearly noticeable: in times of increasing oil prices and public discussion about the CO₂-emissions from shipping – which more than double those of aviation – SkySails offers shipping companies a feasible solution:

The utilisation of free of charge wind energy not only furthers the reduction of fuel consumption, but also contributes to the decrease of emissions. Consequently, environmental pollution and operating costs of ships decrease simultaneously.

This unique combination of advantages has also convinced the experts: we would like to mention at this point that we are happy about the numerous awards that we have received since the beginning of this year.



Our team is proud that SkySails has become a symbol for innovation and climate protection in public discussion. We hope you enjoy reading our newsletter!

With best regards from Hamburg

Stephan Wrage
(Managing partner)

UNO RECOMMENDS WIND POWER FOR SHIPS

EMISSIONS FROM SHIPPING ARE BECOMING THE CENTRE OF ATTENTION IN PUBLIC DISCUSSION – IMO PLANS CO₂-REDUCTION FOR THE SHIPPING INDUSTRY

"Shipping has got away with doing nothing and maintained a clean image which it does not deserve". This quotation by MEP (Member of the European Parliament) Caroline Lucas in a recent cover story about emissions from shipping in the British newspaper "The Guardian" reflects the current mindset prevailing in the

political discussion on the reduction of CO₂-emissions. The relevance of shipping for the climate is considerable:

- Cargo ships, cruise ships, ferries and fish trawlers account for approx. 5% of the global CO₂-emissions.¹
- With an annual consumption of approx. 200-250 m tonnes of oil and CO₂-

emissions of approx. 600-800 m tonnes shipping contributes twice as much to climate change than aviation which is currently in the firing line of public discussion.¹

- CO₂-emissions of the world trade and fishing fleet are more than those of all African countries combined or double those of Britain.¹



FLOATING CLIMATE PROTECTORS: SHIPS WITH SKYSAILS

- Shipping emits roughly the same amount of nitrogen oxides as the USA (approx. 11%) and causes more than 7% of the global sulphur dioxide emissions.²

- Shipping accounts for approx. 80% of the air pollution in port cities like Hamburg.³

- The shipping industry is booming: experts expect emissions from shipping to rise by as much as 75 % until the year 2020 due to the rapid growth of the world trade fleet.¹

So far, maritime traffic has been neglected with regard to climate policy, although more than 90% of world tra-

de is transported by ships. Shipping is not included in the Kyoto-protocol yet. Due to the long life-cycle of ships, the experts of the Intergovernmental Panel on Climate Change (IPCC) initially recommend measures for CO₂-reduction affecting the operation of the existing fleet in their recent report. In addition to **speed limits at sea**, the introduction of **emission-dependent taxes**, more efficient propeller designs and changing to natural gas pro-

The United Nations Intergovernmental Panel on Climate Change (IPCC) was founded in 1988 to assess the implications and dangers of climate change caused by mankind. National and international measures contributing to climate protection are significantly influenced by the IPCC Assessment Reports. In the confidential final draft of the third volume of the latest IPCC Assessment Report, the climate experts outline trends for the different industrial sectors and discuss their options for climate protection. In the first instance, a short summary of the report will be published in *Mai* for policy makers.

pulsion, the experts also recommend **equipping tankers and cargo ships with additional sails**. SPIEGEL ONLINE quotes the IPCC-report as follows: "Large towing kites, as tested by the Hamburg-based company SkySails, reduce the heavy fuel oil consumption of ship diesel motors."

The International Maritime Organization (IMO), the UN sub-organisation responsible for maritime security and environmental protection of the oceans, is reacting to the increasingly heated debate about ship emissions. The information service "Bunkerworld" quotes spokesmen of the IMO saying that as early as October 2006 there had

been a decision to introduce measures for reducing CO₂-emissions from ships on an international level.

As a consequence, shipping companies will face increasing costs in the future if they do not manage to reduce the consumption of their fleet. Thus, shipping companies will benefit doubly from using the SkySails technology: in addition to reducing fuel costs, emission-dependent costs can be cut as well since emissions decrease to the same degree as the fuel consumption.

¹The Guardian, 3rd March 2007, Dr. Veronika Eyering, Institut für Physik der Atmosphäre (Deutsches Zentrum für Luft- und Raumfahrt e.V.) in "Journal of Geophysical Research" issue 110/2005

²Sondergutachten der WGBU (2002), Lloyd's Register Quality Assurance (London)

³Digitaler Umweltatlas Hamburg 1999

SKYSAILS RECEIVES NUMEROUS AWARDS

TOWING KITE TECHNOLOGY IS HONOURED INTERNATIONALLY BY RECOGNIZED EXPERTS

At the turn of the year SkySails received a true flood of awards for the towing kite propulsion system. As one of the five finalists in the category start-up of the 27th round of the "Innovationspreis der deutschen Wirtschaft" (Innovation Award of the German Economy), SkySails received the award presented by Michael Glos, patron of the award and German federal minister of economics and technology, at a gala in the "Alte Oper" in Frankfurt/Main. The award ceremony was hosted by TV presenter Reinhold Beckmann.

The renowned jurors on the panel around Physics Nobel laureate Klaus von Klitzing and Head of the Fraunhofer Institute Hans-Jörg Bullinger agreed that the quality of the submitted proposals was altogether extraordinarily high. Next to SkySails, the companies Carl Zeiss SMT, Varta Microbattery and Cy-

tonet – among others – were honoured. The "Innovationspreis der deutschen Wirtschaft" was founded in 1980 by the Wirtschaftsclub Rhein-Main and has been announcing its call for proposals on a national level since 1983. The 27th round took place in cooperation with the German magazine WirtschaftsWoche. The consulting firm Accenture, the car manufacturer Opel and the energy supplier EnBW are the sponsors of the award.

Furthermore, SkySails has been chosen as "Selected Landmark in the Land of Ideas 2007" by the initiative "Germany – Land of Ideas". In a Germany-wide competition, 365 companies were chosen from more than 1.500 application to represent the innovative strength of Germany on one particular day in the year 2007 as selected landmark. SkySails will present its ideas

Deutschland Land der Ideen

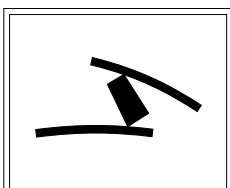


Ausgewählter Ort 2007

and innovations to the public on August 30th, 2007. In addition to that, SkySails was chosen by this initiative to present its technology on the 6th of July in the course of the G8-Summit in Kühlungsborn. The initiative "Germany – Land of Ideas" was launched in 2006 with the aim of highlighting the strengths and assets of Germany as a business location in international comparison by pointing out outstanding ideas. German president Horst Köhler is the patron of the initiative.

On an international level, SkySails was awarded the Red Herring 100 Europe

**SKYSAILS
TECHNICAL
MANAGER
STEPHAN
BRABECK
RECEIVES THE
AWARD**



Innovationspreis
der deutschen Wirtschaft
The World's First Innovation Award



Award of the Red Herring innovation magazine. The Red Herring 100 Europe list annually specifies the 100 most promising start-up companies in Europe. Ever since its first publication in 1996, CEOs, investors and analysts have been consulting the Red Herring 100 list in order to discern promising investment opportunities. Companies such as Google, Ebay and Skype were discovered in their beginnings by the Red Herring editors and identified as companies that have the potential to change our everyday lives.

In Spain, SkySails was selected as one of the twelve finalists in the first round of the "Peixe Verde Ideas Contest". The organisation "Peixe Verde" was founded two years ago by Spanish fishing vessel owners with the objective of finding new solutions to reduce the fuel



consumption of fish trawlers in order to uphold the Spanish fishing sector threatened by the immense fuel costs. It is the aim of this Ideas Contest organized by the CETPEC (Celeiro Fisheries Technological Centre) and promoted by the IDAE (Institute for Diversification and

Energetic saving of Industry Ministry) and the Spanish Ministry of Education and Science, to generate innovative ideas with regard to the reduction of the energy consumption of fishing vessels. One of the twelve finalists will be honoured with a Special Award at the beginning of October.

SkySails also received in-kind prizes: As the winner of the "Innovationspreis" presented by the TV-show "Welt der Wunder" and RTL II, SkySails won a Honda hybrid car as first prize. The "Innovationspreis" is awarded to people, companies and organisations whose visions and work are exemplary for the innovative strength of Germany.

You can find further information on these awards on the internet: www.innovationspreis.com, www.landderideen.de, www.redherring.com, www.weltderwunder.de

THIRD ROUND OF FINANCING CLOSED SUCCESSFULLY

THE OLTMANN GROUP BASED IN LEER ANNOUNCES FULL PLACEMENT OF THE OFFER FOR PARTICIPATIONS FOR SKYSAILS, THE VENTURE CAPITAL AT SEA

On December 31st, 2006, the third and final round of financing for private investors was closed successfully and according to schedule - much to the disappointment of many interested investors. Especially in the last few weeks, the Oltmann Group registered a real run on the last SkySails shares available. "Lastly, we could not provide all interested investors with SkySails shares", says André Tonn, chairman of the Oltmann Group. "If everything goes according to plan, the financial

basis for a successful entry is thus guaranteed".

The Oltmann Group had raised 11.4 million Euro equity capital for the technology venture SkySails in the previous financing rounds. In order to further secure the financial basis and to advance the development process SkySails' founding partners decided to take up further 5 million Euro equity capital at the expense of their amount of holding.

Further information can be found at: www.oltmanngruppe.de



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