

DEAR MADAMS AND SIRS, DEAR FRIENDS,

For SkySails, the year 2008 began just as sensationally as 2007 ended: On 15 December 2007 the first newly built cargo vessel equipped with SkySails propulsion, the "Beluga SkySails", was ceremoniously christened at the "Landungsbrücken" in Hamburg. We were truly privileged to have Eva Luise Köhler, the wife of the German Federal President Horst Köhler, as godmother. And, we are very proud that our technology was deemed worthy of such an honor!

In addition to the "Beluga SkySails" which already set off for its maiden voyage on 22 January, SkySails successfully retrofitted a SkySails-System on an existing cargo vessel – the "Michael A." of the renowned WESSELS Reederei GmbH & Co. KG based in Haren/Ems – at the end of last year.

In the coming months we will finally be able to prove that the SkySails-System also functions in practice. Certainly the

day-to-day operations at sea will pose many challenges for SkySails. The important thing now is to elevate the system's level of manageability and robustness to that demanded by our customers. To do this we'll have to learn a lot, take setbacks in stride and find solutions, but we'll also be positively surprised. Throughout the last year we organized our company in a manner that will let us meet these very challenges.

The second sensation followed on 2 January of this year when the price of a barrel of oil topped the \$100 mark for the first time. Now more than ever our simple maxim applies: Wind is cheaper than oil. What's more, interest on the part of our customers is equally high and we can announce at this point: As soon as the systems of our pilot customers operate properly and SkySails is thus ready to deliver, revenues are assured until the middle of 2009 – all SkySails-Systems



available till then have already been reserved by our customers!

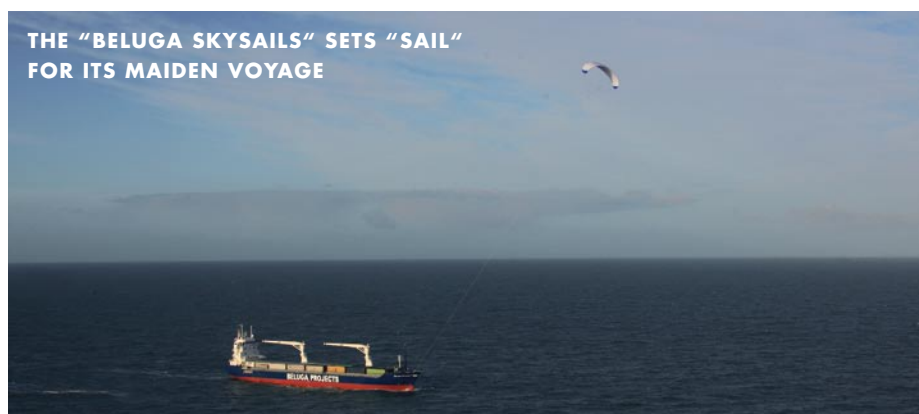
We wish you all the best for a prosperous 2008 and much enjoyment reading our newsletter!

Stephan Wrage
Managing Partner

MS "BELUGA SKYSAILS" SETS "SAIL"

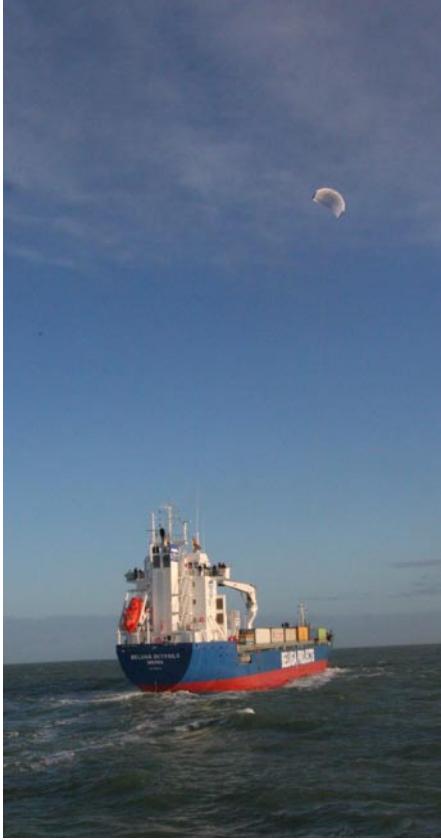
FIRST NEWLY BUILT CARGO SHIP WITH SKYSAILS

PROPULSION SETS OFF FOR MAIDEN VOYAGE – START OF PILOT PROJECTS



Hamburg 15 December 07. After six years of development, the world's first newly built cargo vessel equipped with an environmentally friendly towing kite propulsion system was christened at the Überseebrücke in Hamburg, Germany. The ship's godmother was Eva Luise Köhler, the wife of the German Federal President Horst Köhler.

It was before a huge audience that Mrs. Köhler christened the 133-meter multi-



purpose heavy-lift cargo vessel as the MS "Beluga SkySails", praising her as representing a new chapter in maritime shipping in which business and ecologically responsible actions can be combined. Mrs. Köhler wished the ship "Godspeed and smooth sailing always."

On Tuesday, January 22nd of this year, the "Beluga SkySails" set off for her maiden voyage from Bremerhaven to Venezuela. Prior to this, the SkySails-System had been presented to numerous media representatives during a journey on the North Sea.

After unloading the cargo in Venezuela – parts of a particle board factory that the logistics company DHL is shipping environmentally friendly by order of its customer – the "Beluga SkySails" will continue its journey to Davant/Mississippi before returning over the Atlantic Ocean to Norway.



EVA LUISE KÖHLER, THE WIFE OF THE GERMAN FEDERAL PRESIDENT HORST KÖHLER, IS THE GODMOTHER OF THE "BELUGA SKYSAILS"

The maiden voyage of the "Beluga SkySails" marks the beginning of the SkySails pilot phase during which the system will be long-term tested on board of cargo ships. Throughout the first part of the pilot phase the main focus lies on optimizing the handling of the system on board. Subsequently, the development work will concentrate on the maximization of the system performance before SkySails will start pre-series production.

WESSELS REEDEREI EXPLORES SKYSAILS

INITIAL OPERATION OF THE FIRST RETROFIT SKYSAILS-SYSTEM ON BOARD OF A CARGO VESSEL SUCCESSFUL

Hamburg, Haren/Ems 21 January 2007. At the end of 2007, the SkySails-System was retrofitted on an existing cargo vessel for the first time. The towing kite propulsion was installed on the approx. 90m long MS "Michael A." of the WESSELS Reederei GmbH & Co. KG based in Haren/Ems.

As a pilot customer, the shipping company WESSELS is exploring the SkySails-System during regular shipping opera-



INITIAL OPERATION OF THE SKYSAILS-SYSTEM ON THE "MICHAEL A."

tions. A towing kite of 160 square meters in size has been installed on board the MS "Michael A.". The ship remains in regular commercial operation in the European Short Sea Market. The test results will be published after completion of the first pilot phase.

The WESSELS Reederei GmbH & Co. KG owns a fleet of 40 modern river/sea-going ships and specializes in ship management, freighting services, trust services and finance. The family-owned business has always been successfully combining the best of traditional and modern values. Already in the 1970s, Dr. h.c. Gerhard Wessels designed the river/sea-going ships known as cargo liners that still provide the basis for modern coasters today.

MS "MICHAEL A."
WITH SKYSAILS



A BOOST FOR THE FISHING INDUSTRY

SKYSAILS FOR FISHING TRAWLERS

Worldwide there are some 11,000 fishing trawlers that are suited for SkySails propulsion. SkySails is working to

refine and perfect its towing kite systems for use in day-to-day fishing operations and to tap into this very attractive mar-

ket. The development of a towing kite system has to be geared to a fishing trawler's special design and operational characteristics.

Some of the more important requirements that a SkySails-System will have to address to be used on fishing trawlers include differences in the design of

the vessel's structure, integrity and hull shape; use in regions with extremely bad or stormy weather conditions; unique maneuvering involving frequent changes of course while trawling and the greater amount of work the crew has to perform on deck.

With this in mind the joint project "Research & Development of a Towing Kite System for Fishing Trawlers" was initiated together with the Department of Maritime Engineering at the University of Rostock. The goal of the project is to develop a new concept for the safety, steering and control of towing kite systems and to draft and/or revise design-related modificati-



ons to existing SkySails-System components for slower-sailing cargo ships in order to ensure their suitability for use on fishing trawlers.

This project is being sponsored by the Confederation of Industrial Research Associations (AiF) through the Federal

Ministry of Economics and Technology (BMW).i).

Part of the project has already seen towing tests using a model of an 80-meter fishing trawler being undertaken at the Potsdam Ship Model Basin. Testing results confirm SkySails' calculations and

demonstrate that towing kite propulsion is employable aboard fishing trawlers.

Furthermore, modifications required to permit SkySails propulsion to be used on trawlers were derived from these tests and the related developmental work has already begun.

SKYSAILS AT THE "SCHIFFFAHRTSREGATTA"

AGAIN IN 2007 OVER 800 GUESTS JOINED SKYSAILS TO CELEBRATE THE START OF THE 25TH PETER GAST SCHIFFFAHRTSREGATTA - TESTING VESSEL "BEAUFORT" ESCORTED THE REGATTA UNDER SKYSAILS POWER

Over 800 guests from the world of shipping partied late into the night on 31 August to celebrate the eve of the 25th Schiffahrtsregatta (Shipping Regatta) during the "First Ship Home Party" hosted by SkySails, the Olmann Group and the Anchor

tax consulting company. During this superlative meet-and-greet party with an awesome array of live music, the guests also had the opportunity to board the experimental ship "Beaufort" and take a close look at SkySails' technology. Then on Sa-



"FIRST SHIP HOME PARTY" IN MAASHOLM

turday the "Beaufort" accompanied the regatta participants under power of the towing kite.

Organized by Peter Gast Shipping, the Shipping Regatta has been one of Germany's shipping industry's most important events for 25 years. Well over 100 yachts sailed from Maasholm (Schleimünde) to Ærøskøbing on the Danish island of Ærø. Besides ship owners, shipping companies and other representatives from the shipping industry, high-ranking politicians and government officials regularly participate in the regatta, including again in 2007 Peter Harry Carstensen, the premier of the German state of Schleswig-Holstein.

