

DEAR LADIES AND GENTLEMEN, DEAR FRIENDS,

For SkySails, 2008 was a year of challenges, successes large and small, intense learning and of many tasks that had to be mastered. Working hand in hand with our customers Beluga Shipping and the WESSELS Reederei, we took the last major step in developing our SkySails technology into a production-ready product as a result of pilot testing and first-time use of the system aboard their ships "Beluga SkySails" and "Michael A." during regular shipping operations.

Also this year we showed impressively how the SkySails-System's performance potential far exceeds our expectations. According to measurements made aboard the "Michael A." the 160 square-meter large towing kite generates up to 8 tons of tractive force – this approximately corresponds to the thrust of an Airbus A318 engine.

As expected, our team also had a number of challenges to master. First they had to find and then implement new answers and solutions in response to the requirements that arose from the intensive practical testing. This caused a delay in our timetable and explains why the amount of time that

the SkySails-Systems have been employed so far on our pilot customers' vessels is less than originally planned.

The lessons we learned during the pilot testing phase were incorporated into the system redesign for the pre-series systems. One major improvement is the integration of all deck components (except the towing winch) into one component called the SkySails Arrangement Module (SAM). Late November marked the debut for the SAM when it was retrofitted onto the "Michael A." where it will now be used during regular operations.

We see a very exciting year for SkySails as we look ahead to 2009. Once series production gets under way, the biggest challenge for SkySails will be to rapidly and sustainably grow the company and its manufacturing and service capacities in order to meet the demands of the market. We are very pleased to inform you that we now have a very powerful and experienced partner at our side for worldwide sales and service: the highly respected marine engine supplier Zeppelin Power Systems. The competence and expertise of our two companies complement each



another ideally and we see ourselves positioned superbly to develop the global market for our systems.

I wish you and your loved ones peace, joy and hope this holiday season, and all the best in the New Year 2009.

And now it's time for some interesting reading!

Stephan Wrage
Managing Director

ZEPPELIN GROUP TO TAKE STAKE IN SKYSAILS

BUILDING A GLOBAL SALES AND SERVICE NETWORK FOR TOWING-KITE WIND PROPULSION

Zeppelin Power Systems GmbH & Co. KG, Hamburg, a subsidiary of the venerable Zeppelin Group, and SkySails are joining forces to market SkySails propulsion systems. The Oltmann Gruppe has played a key role in financing the esta-

ishment of SkySails. Zeppelin Power Systems now takes stake as strategic partner in order to create the optimal basis for the next step – the market entry. Starting next year, the two Hamburg-based companies will be combining their expertise



and competence in what will be called the Zeppelin SkySails Service- und Vertriebsges. mbH & Co. KG. The two partners intend to set new worldwide standards through the joint marketing of diesel-wind hybrid power systems. Zeppelin Power Systems' robust sales and service network will ensure that the SkySails-Systems are maintained and serviced quickly and reliably across the globe. Zeppelin has been the partner of Caterpillar, the world's largest independent manufacturer of diesel engines, for over 50 years and is one of the leading sales and service organizations for marine engines. "Rising fuel costs and climate-change-

related requirements and restrictions are forcing the shipping industry to change its way of thinking. The combination of cutting-edge diesel engine technologies from MaK and Caterpillar and the wind propulsion systems from SkySails will allow us to chart a new and much more promising course in our industry. This partnership not only fully accommodates the development of new market potential in the maritime industry, but also follows the future-minded tradition set forth by our company's founder: the courage to try something new and to believe in its success," says Ernst Susanek, the President and CEO of ZEPPELIN GmbH.

"We want our customers to be excited about the SkySails-System," adds SkySails Managing Director Stephan Wrage. "This includes the kind of excellent service quality that we can guarantee our customers thanks to this collaboration with such an experienced partner as Zeppelin Power Systems."

This partnership between Zeppelin and SkySails was initiated by the Oltmann Gruppe, which, as the exclusive financing partner of SkySails, arranged the bulk of the capital needed to establish the company. Oltmann Chief Executive André Tonn is delighted: "The Oltmann Gruppe welcomes this partnership with Zeppelin and recognizes it as the ideal arrangement to enable SkySails to fully develop the market."



From right to left: Ernst Susanek, Chairman and CEO ZEPPELIN GmbH, Stephan Wrage, Managing Director SkySails

About Zeppelin

Zeppelin is a company rich in tradition whose name and origins go back to the great airship pioneer Ferdinand Count Zeppelin, who contributed the company he founded in 1908 to the Zeppelin Foundation that is headquartered in Friedrichshafen, Germany. The Zeppelin Group is still owned by the foundation to this day. Zeppelin Group has its headquarters in Garching near Munich and has been the exclusive sales and service partner of Caterpillar Inc. of Peoria, Illinois since 1954 – a partnership that has since expanded from Germany to numerous countries in Central and Eastern Europe.

The Zeppelin Group employs some 6,500 people at 190 locations around the world and is projected to post revenues of 2.5 billion euros in 2008. The Zeppelin Group's subsidiary Zeppelin Power Systems GmbH & Co. KG is responsible for the sales and service of MaK and Caterpillar marine and other engines.

WILSON ASA TO BUY SKYSAILS PROPULSION

FIRST NORWEGIAN SHIPOWNER TO INSTALL ENVIRONMENTALLY FRIENDLY TOWING-KITE PROPULSION SYSTEM

Bergen-based Wilson ASA has become the first Norwegian shipping company to order SkySails propulsion. This environmentally friendly towing-kite propulsion system is scheduled to be installed on the vessel "Wilson Grip" next year. "Wilson has high expectations that SkySails on "Wilson Grip" will prove to be an environmental and economic success for further Wilson vessels," says Oyvind Gjerde of Wilson ASA. "This sale to Wilson gives SkySails the opportunity of thoroughly examining how SkySails propulsion performs during practical use in the conditions on the northern North Sea and the Norwegian Sea," adds SkySails founder and Managing Director Stephan Wrage. The MV "Wilson Grip" is 88 meters long, has a deadweight of 3,700 tons and produces nearly 1,500 kW of power. The ship will be outfitted with a SKS C 160

SkySails (160-square-meter). With a good wind a SkySails-System of this size can generate up to 8 tons of tractive force. For comparison: the "Wilson Grip" needs about 11 tons of thrust to reach its cruising speed of 11 knots.

SkySails propulsion is currently in use on

two cargo ships belonging to the carriers Wessels and Beluga Shipping as part of pilot testing being conducted along several different shipping routes. SkySails will begin series production in 2009 and its manufacturing capacity has already been booked for one year in advance.



Picture: Computer Rendering

SKYSAILS AT THE SMM 2008

VISITOR RESPONSE TOPS ALL EXPECTATIONS

SkySails showed its innovative towing-kite propulsion system to an enthusiastic audience of industry professionals and visitors at the international Shipbuilding, Machinery & Marine Technology 2008 (or SMM) trade fair. This year's fair marked SkySails' fourth appearance at the SMM. Visitors were provided a wealth of information about the SkySails-System at the stand and were able to take a detailed look at each of the system's components

along a specially designed parcours. This event also marked the first time that an original-size SkySails kite was displayed. Coordinating closely with SMM project management, the towing kite was suspended from the glass ceiling of the Kaltmall, where it served as an exciting attraction and unique way of welcoming the visitors directly at the entrance to the new exhibition halls A1 and A4.

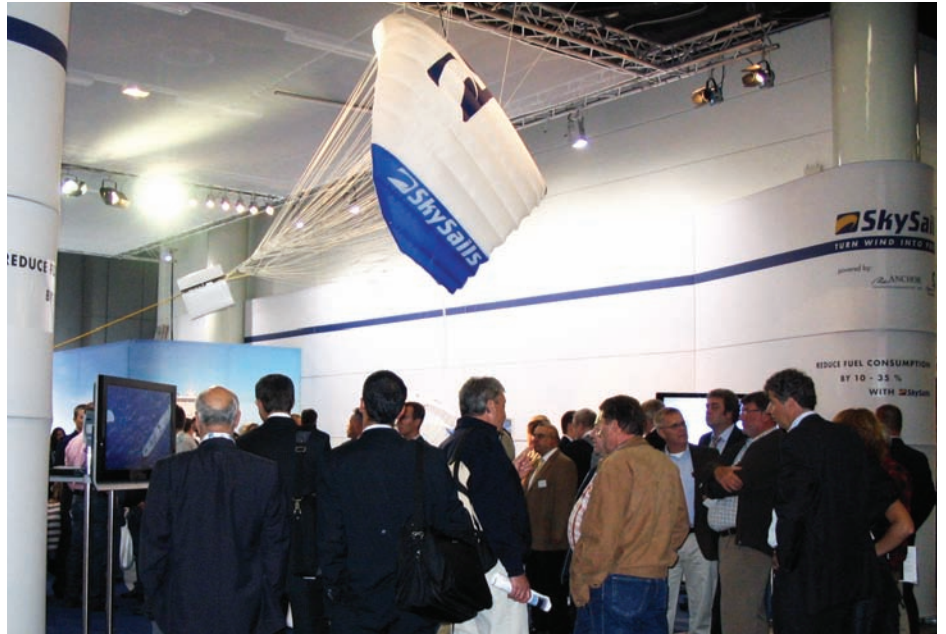
"The interest in the SkySails-System and the



response generated by our participation at the SMM 2008 vastly exceeded our expectations. There were huge crowds at our stand throughout the entire four days of the show. The SkySails team held more than 2,000 discussions with customers, suppliers and prospects. The large number of leads generated and specific project negotiations conducted impressively underscores our very positive summary. We are very happy about and proud of this achievement." concludes Stephan Wrage, the founder and Managing Director of SkySails.

The SMM 2008 broke all previous records by hosting more than 52,000 industry visitors from across the world and 1,965 exhibitors from 56 countries and confirmed once more its status as the

maritime industry's leading international | trade fair.



SKYSAILS AT THE SCHIFFFAHRTSREGATTA 2008

FIRST SHIP HOME PARTY CELEBRATES ITS THIRD ROUND

For the third time in a row, SkySails, the Oltmann Gruppe, the Anchor tax consultancy and the WESSELS Reederei hosted the "First Ship Home Party" on August

29th, the evening before the 26th Peter Gast Schiffahrtsregatta. For many participants, this warm-up party at the port of Maasholm has become a permanent part

of their program during the regatta weekend. Again this year more than 600 guests enjoyed a rich selection of culinary delights and rocked and rolled well into the night to the live music of the „Speedos“.

Organized by Peter Gast Shipping, the Schiffahrtsregatta runs from Maasholm (Schleimünde) to Ærøskøbing (Denmark) and is one of the most important events within the German shipping industry. What began 26 years ago as three shipping industrialists' private regatta now involves some 150 yachts and 1,500 international participants and has become an established meeting place for decision makers from the maritime sector and the worlds of politics and business.

