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To the creditors of SAirGroup  
in debt restructuring liquidation

Küsnacht, 10 October 2006 WuK

**SAirGroup in debt restructuring liquidation;  
Circular no. 10**

Ladies and Gentlemen

This Circular provides information on the progress of the SAirGroup debt restructuring liquidation since mid-April 2006:

**I. PRESENTATION OF SCHEDULE OF CLAIMS FOR INSPECTION BY CREDITORS**

**1. Procedure**

The schedule of claims and current liquidation status of SAirGroup as at 31 August 2006, including the inventory, will be available for inspection by creditors between 11 and 31 October 2006 at the offices of Liquidator Karl Wüthrich at the the Goldbach-Center, Seestrasse 39, 8700 Küsnacht. Please make an appointment with Mr Christian Rysler, telephone no +41 43 222 38 00.

Actions to contest the schedule of claims must be lodged with the single judge in accelerated proceedings at the district court of Zurich, Wengistrasse 30, P.O. Box, 8026 Zurich, within 20 days from public announcement in the Swiss Official Gazette of Commerce announcing that the schedule of claims is available for inspection. The respective announcement in the Swiss Official Gazette of Commerce will be made on 11 October 2006. The 20 day period will thus run until

31 October 2006 (date of postmark of a Swiss post office). If no actions to contest the schedule of claims are lodged, the schedule of claims will become final.

For each creditor whose claims have been wholly or partly rejected, or not recognized in the class in which they were submitted, a personal notification of the decision with regard to the schedule of claims is enclosed with this Circular. These special notices are in the official German language and will not be translated by the Liquidator into other languages. Legal proceedings in connection with any action to contest the schedule of claims will also be held exclusively in German.

## **2. Schedule of claims**

### *2.1 Overview*

An overview of the schedule of claims is given in Appendix 1. In particular, the following facts are to be stated:

### *2.2 Claims secured by rights of lien*

No claims secured by rights of lien have been registered.

### *2.3 First-class claims*

1,874 creditors have registered first-class claims totaling CHF 392,939,317.77. Of this total, claims in the amount of CHF 11,615,770.09 are recognized while claims in the amount of CHF 204,403,525.68 are rejected. A large portion of the rejected claims was registered by former employees of Swissair Swiss Air Transport Company Ltd. ("Swissair"). Decisionmaking regarding claims in the total amount of CHF 176,920,022.00 registered by 18 creditors is suspended, until the respective obligations are duly clarified.

### *2.4 Second-class claims*

Seven creditors have registered second-class claims in the total amount of CHF 615,381.2, whereof claims in the amount of CHF 289,240.50 are recognized. Claims in the amount of CHF 101,569.60 are rejected. Decisionmaking regarding claims registered by two

creditors in the amount of CHF 224,571.12 is suspended until the respective obligations are duly clarified.

#### *2.5 Third-class claims*

Third-class claims totalling CHF 48,506,848,491.29 were registered by 13,216 creditors. Claims in the amount of CHF 9,740,780,169.68 are recognized and claims in the amount of CHF 26,764,905,917.28 are rejected. Decisionmaking regarding claims registered by 19 creditors in the amount of CHF 12,001,162,404.33 is suspended until the respective obligations are duly clarified.

### **II. ESTIMATED DIVIDEND**

The liquidation status of SAirGroup as at 31 August 2006 (Appendix 2) provides information on current disposable assets. Cautious estimates have been given for assets that have not yet been realized. The figures shown should therefore be achievable.

On the basis of disposable assets shown in the liquidation status, the maximum dividend for third-class claims will be 12.5 %, provided no actions to contest the rejection of registered claims are lodged or provided any such appeals are unsuccessful. The third-class claims for which decisions have been suspended are factored in to this calculation at 25 %. However, if all of the creditors concerned are successful in their actions to contest the rejection of their claims, the minimum dividend will be 2.9 %. A more accurate assessment of the situation will be possible once the period to contest the schedule of claims has expired and it has been established whether or not such actions have been lodged and what claims they relate to.

### **III. WAIVER OF DISPUTED CLAIMS**

#### **1. Claim of CHF 32,006,862.70 against Atrib Group AG in liquidation**

Atrib Group AG ("Atrib Group"), domiciled in Kloten and previously known as Atraxis Group AG, is a former Swissair Group company. Atrib Group was also the holding company of the so called Atraxis Group. Atraxis Group was active in the creation and distribution of

software solutions for companies in the aircraft industry, primarily companies in the Swissair Group and the Qualifyer Group as well as the Zurich airport.

Bankruptcy proceedings for Atrib Group commenced on 15 February 2002. SAirGroup registered a claim totalling CHF 44,408,803.21 in the bankruptcy proceedings of Atrib Group. A small portion of this claim (CHF 1,803,782.26) originates from intra-group services while a larger portion concerns outstanding loans (CHF 42,605,020.95).

The bankruptcy trustee of Atrib Group, Dr. Marc Bernheim, intends to recognize the registered claim in the amount of CHF 4,630,161.23 as a third-class claim, and to reject it in the amount of CHF 39,778,641.98.

An amount of CHF 143,553.98 originating from intra-group services and two smaller loans is partly rejected. Chances of a successful enforcement of the respective claims in court proceedings are estimated to be very slim for lack of proof.

Furthermore, claims totalling CHF 39,635,088.00 relating to three large loans have been rejected in full with reference to subordination statements declared by SAirGroup. SAirGroup declared the subordination statements in the fall of 2001 as Atraxis Group would otherwise have become insolvent and would have ceased to provide its IT-services. This would have threatened flight operations at Zurich airport and thus resulted in even higher losses from the perspective of SAirGroup. Given the clear wording of the subordination statement, there is a considerable litigation risk attached to any attempt to enforce the loan-related claims in court. Despite these subordination statements, SAirGroup is entitled to offset CHF 7,771,779.28 in Atrib Group counter-claims against its own claims.

Having considered the above stated facts, the Liquidator and the Creditors' Committee have decided to offset the CHF 7,771,779.28 claim rejected by the bankruptcy trustee of Atrib Group, but not pursue the remaining CHF 32,006,862.70 in court and to offer the assignment of the right to pursue the respective action in court to the creditors.

**2. Claim of CHF 151,802,225.70 against Atrib Switzerland AG in liquidation**

Atrib Switzerland AG ("Atrib Switzerland"), domiciled in Kloten and formerly known as Atraxis Switzerland AG, is a subsidiary of Atrib Group and a former Swissair Group company.

Bankruptcy proceedings concerning Atrib Switzerland commenced on 1 March 2002. SAirGroup registered a claim totalling CHF 167,997,194.69 in the context of these proceedings. A small portion of this claim relates to intra-group services and intra-group billings (CHF 7,521,482.24), while the claim predominantly relates to three large outstanding loans of CHF 160,475,712.45.

The Bankruptcy authority of Bassersdorf rejected the registered claim in full by order no. 2 of 20 July 2006. On 3 August 2006, the Liquidator of SAirGroup contested this decision before the sole judge at the District Court of Bülach by lodging an action contesting the schedule of claims and requesting that the rejected claim be recognized and entered in the schedule. At the same time, he applied for proceedings to be suspended until it was clear whether SAirGroup would proceed with its action or whether an SAirGroup creditor had requested assignment of the right to initiate court proceedings concerning the disputed claim according to Art. 325 and Art. 260 of the Swiss Debt Enforcement and Bankruptcy Law (DEBL). The appeal has been suspended.

The bankruptcy authority rejects those portions of the registered claim that relate to intra-group services and billings in the amount of CHF 7,487,411.24 owing to set-off against counter-claims of Atrib Switzerland, as well as an amount of CHF 34,071.00 on the grounds of non-existence. The set-off declared by the Insolvency Office is regarded as permissible by the Liquidator and the Creditors' Committee. Chances of a successful enforcement of the rejected amount of CHF 34,071.00 in court proceedings are estimated to be very slim for lack of proof.

The remaining claim amounts totalling CHF 160,475,712.45 relating to the three large loans have been rejected in full with reference to the subordination statements declared by SAirGroup, also vis-à-vis

Atrib Switzerland. As the wording of the subordination statements is identical to that of the subordination statements declared vis-à-vis Atrib Group, please refer to the above comments. Again the risks in relation with an enforcement of the claims in court are considered substantial. Once again, SAirGroup is entitled to offset CHF 8,707,557.25 in remaining Atrib Switzerland counter-claims against its own claims.

With regard to Atrib Switzerland, the Liquidator and the Creditors' Committee have again decided to offset the CHF 8,707,557.25 claim rejected by the Bankruptcy Authority of Bassersdorf and not pursue the remaining CHF 151,802,225.70 in court and therefore offer the assignment of the right to pursue the claim in court to the creditors.

### **3. Assignment requests by individual creditors**

Each creditor is entitled to request assignment of the right to pursue the claims which are being waived by the Liquidator and the Creditors' Committee in court (Art. 325 in conjunction with Art. 260 of the Swiss Debt Enforcement and Bankruptcy Law (DEBL)). A creditor requesting assignment will be entitled to assert the claim at his own risk and expense. In the event that he should win in the respective court proceedings, he will be entitled to use any award to cover both costs incurred and his claims against SAirGroup. Any surplus would have to be surrendered to the estate. If the creditor should lose the action, he is liable for both court costs and his own expenses.

Presently offered for assignment are the right to pursue in court the claim of CHF 32,006,862.70 which SAirGroup registered in the bankruptcy proceedings concerning Atrib Group – a claim which the - bankruptcy trustee plans to reject. Further the right to pursue an action to enforce recognition of the remaining claim of CHF 151,802,225.70 that was filed by SAirGroup and have it entered in the schedule of claims drawn up in the bankruptcy proceedings concerning Atrib Switzerland.

Requests for assignment according to Art. 260 DEBL may be lodged with the undersigned Liquidator **in writing by 31 October 2006 at the latest** (date of postmark of a Swiss post office). The right to

request assignment will be deemed to have **lapsed** if this deadline is not met.

#### **IV. DISTRIBUTION OF PROCEEDS FROM SALE OF RESTORAMA AG AND RAILGOURMET HOLDING AG BETWEEN SAIRGROUP AND SAIRLINES**

##### **1. Background**

SAirGroup and the Compass Group had been in talks about the sale of Rail Gourmet Holding AG and Restorama AG even before the events of 11 September 2001 and the Swissair grounding of 2 October 2001. These negotiations were continued after the debt restructuring moratorium was been granted. The parties ultimately reached agreement on the sale of Rail Gourmet Holding AG and Restorama AG to Compass Group, and a contract of sale was signed. The competent debt restructuring judge approved the deal in December 2001, at which time the distribution of the sale proceeds between SAirGroup and SAirLines was expressly left open. The transaction was completed in April 2002.

Including interest accrued to date, the adjusted sales proceeds amount to around CHF 45 mio. Of this figure, some CHF 36 mio. are deposited in two UBS accounts which are jointly held in the names of SAirGroup and SAirLines, as well as those of the Liquidator of SAirGroup and the Co-Liquidator of SAirLines, Dr. Roger Giroud. The remaining sum of approximately CHF 9 mio. is held in an escrow account as a security for Compass Group against various litigation risks. The funds in this account will be released by 2015 at the latest.

##### **2. Distribution of proceeds**

The principles for dividing the sales proceeds between SAirGroup and SAirLines were established after debt restructuring liquidation proceedings had begun. The priority was to repay the loans that the two companies had granted to Restorama AG and RailGourmet Holding AG, and to divide the remaining purchase price between the Restorama AG shares sold by SAirLines and the trademark rights sold by SAirGroup along with the shares. An agreement between

SAirGroup and SAirLines was finally concluded in May 2006, stating the following:

- The sales proceeds will primarily be used to cover loan-related claims totalling CHF 41.9 mio. of SAirGroup and SAirLines. SAirGroup's share in the loan related claims of CHF 41.9 mio. amounts to CHF 34 million, or 81.15 %, while SAirLines' share stands at CHF 7.9 million, or 18.85 %.
- Also factored into the payout will be that the sales price had to be debited with a payment to Gate Gourmet in the amount of CHF 750,000. Furthermore, SAirGroup must be debited with its share of the cost of sale amounting to approximately CHF 1.3 mio. Consequently, at the present time SAirGroup will receive around CHF 28.5 mio., while SAirLines will receive approx. CHF 7.5 mio.
- The escrow account, which currently holds some CHF 9 mio., will be closed in 2015 at the latest. Should there be a credit balance in favour of SAirGroup and SAirLines at this point, it will primarily be applied first to cover loan claims still outstanding at a ratio of 81.15 % in favour of SAirGroup and 18.85 % in favour of SAirLines. SAirLines will then receive two-thirds of any remaining credit balance in return for the Restorama shares it sold, while SAirGroup will receive one third as compensation for the trademarks transferred to Compass Group.

This agreement has since been approved by the Creditors' Committees of SAirGroup and SAirLines.

#### **V. NEXT STEPS IN THE PROCEEDINGS**

Once the deadline for the lodging of actions contesting the schedule of claims has passed, the extent to which the schedule is legally enforceable will be established and it will be possible to decide whether and to what extent an initial payment on account can be made to creditors. The creditors will then be notified of the timing of any such payment.



Yours sincerely,

SAirGroup in debt restructuring liquidation:

The Liquidator

Karl Wüthrich

- Encl:
1. Overview of proceedings to draw up the schedule of claims for SAirGroup
  2. Liquidation status of SAirGroup as at 31 August 2006

**Hotline**

**SAirGroup in debt restructuring liquidation**

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## Overview of proceedings to draw up the schedule of claims

Category	Registered		Schedule of claims						Dividend	
	No.	Amount in CHF	Recognized		Decision suspended		Rejected		minimal	maximal
			No.	Amount in CHF	No.	Amount in CHF	No.	Amount in CHF		
Secured by right of lien	-	-	-	-	-	-	-	-	-	-
First Class	1'874	392'939'317.77	280	11'615'770.09	18	176'920'022.00	1'831	204'403'525.68	100%	100%
Second Class	7	615'381.22	6	289'240.50	2	224'571.12	2	101'569.60	100%	100%
Third Class	13'216	48'506'848'491.29	11'922	9'740'780'169.68	19	12'001'162'404.33	1'598	26'764'905'917.28	2.9%	12.5%
<b>Total</b>		<b>48'900'403'190.28</b>		<b>9'752'685'180.27</b>		<b>12'178'306'997.45</b>		<b>26'969'411'012.56</b>		

**LIQUIDATION STATUS as of 31 AUGUST 2006**

	<b>31.08.2006</b>	<b>31.12.2004</b>	<b>Change</b>
	<b>CHF</b>	<b>CHF</b>	<b>CHF</b>
<b>ASSETS</b>			
<b>Liquid funds</b>			
UBS AG CHF	158'324'232	166'542'897	-8'218'665
UBS AG USD	861'674	1'345'491	-483'817
UBS AG EUR	240'537	53'630	186'907
CREDIT SUISSE CHF	3'998'890	15'076	3'983'814
ZKB CHF	144'980	2'937	142'043
Cash deposits, UBS Ltd, CS, ZKB <sup>1)</sup>	1'175'000'000	1'165'000'000	10'000'000
<b>Total liquid funds</b>	<b>1'338'570'313</b>	<b>1'332'960'031</b>	<b>5'610'282</b>
<b>Liquidation positions:</b>			
Accounts receivable	2'543'547	920'640	1'622'907
Prepaid court expenses	9'153'903	6'698'903	2'455'000
Open apportionment of proceeds on sale of Swissport, Restorama, RailGourmet, and Nuance	70'000'000	70'000'000	0
Open apportionment of costs relating to Swissair, SAirLines, T Group and SAir Services Invest AG accrued during debt restructuring moratorium	10'370'519	10'370'519	0
Receivables from third parties	91'775'758	94'812'093	-3'036'335
Real estate	86'025'625	86'025'625	0
Furniture, fittings	3	3	0
Shareholdings, securities	348'511	348'512	-1
Responsibility claims	p.m.	p.m.	
Pauliana claims	p.m.	p.m.	
<b>Total liquidation positions</b>	<b>270'217'866</b>	<b>269'176'295</b>	<b>1'041'571</b>
<b>TOTAL ASSETS</b>	<b>1'608'788'179</b>	<b>1'602'136'326</b>	<b>6'651'853</b>
<b>LIABILITIES</b>			
<b>Debts of the estate</b>			
Accounts payable	405'978	1'638'055	-1'232'077
Provisions for liquidation costs	10'000'000	10'000'000	0
<b>Total debts of the estate</b>	<b>10'405'978</b>	<b>11'638'055</b>	<b>-1'232'077</b>
<b>TOTAL DISPOSABLE ASSETS</b>	<b>1'598'382'201</b>	<b>1'590'498'271</b>	<b>7'883'930</b>

<sup>1)</sup> CHF 35'000'000 is assigned as collateral for litigation deposits totalling CHF 30'931'000

**Hotline**

**SAirGroup in debt restructuring liquidation**

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