

**Unofficial Translation of  
German Original**

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To the creditors of SAirLines  
in debt restructuring liquidation

Küsnacht, 14 December 2006 WuK

**SAirLines in debt restructuring liquidation;  
Circular no. 9**

Ladies and Gentlemen

The schedule of claims was presented for inspection by the creditors in July 2006. The period for contesting this schedule of claims has since expired. This Circular provides information on the current status of proceedings and the next steps.

**I. PROCEEDINGS CONCERNING THE SCHEDULE OF CLAIMS**

Eleven creditors whose registered claims have been wholly or partially rejected lodged actions to contest the schedule of claims while the latter was open to public inspection between 19 July and 8 August 2006. The appeals concern one claim with a preferential right to the assets of S Air Relations AG of CHF 11,480.95, one claim with a preferential right to the assets of S Air Logistics of CHF 10 mio. and third-class claims totalling CHF 1,753,811,177.57.

Three claims have since been resolved already. The action concerning the claim of CHF 11,480.95 with a preferential right to the assets of S Air Relations AG proved justified and the claim has now been recognized. The creditor waived any compensation for legal costs incurred. In one case, a creditor whose claim of CHF 696,759.25 had been rejected submitted further evidence after the schedule of claims had been opened for public inspection. The claim had to be recognized on the strength of these new documents. The creditor waived any compensation

for legal cost incurred and assumed half of the court fees. Finally, an agreement could be reached with the estate of Balair/CTA Leisure Ltd, which reduced its submitted claim of CHF 15,198,565 to CHF 2,200,000. The claim has been recognized at this level. The parties waived any compensation for legal cost incurred and the court fees will be borne 85% by Balair/CTA Leisure Ltd. and 15% by SAirLines.

With the exception of the suspended claims, the schedule of claims is now all but settled. Meanwhile, ultimate rejections have been issued for CHF 59,162,480,266.79 of the CHF 65,470,710,388.82 in third-class claims that were originally registered (see Appendix).

## **II. ESTIMATED DIVIDEND**

The disposable assets reported in the liquidation status of 31 May 2006 (see Appendix 2 to Circular No. 5) results in a maximum dividend of 27.8%, providing all of the appeals that have been lodged against the schedule of claims are unsuccessful and only 50% of suspended claims must be recognized. Should all of the appeals be admitted and the suspended claims have to be recognized, however, the minimum dividend would be 7.5%.

## **III. PAYMENTS ON ACCOUNT**

The degree to which the schedule of claims is now final, as well as the financial situation of SAirLines in debt restructuring liquidation (see Appendix 2 to Circular No. 5) permit recognized claims which have preferential rights to the assets of S Air Relations AG and S Air Services AG, as well as privileged second-class claims, to be paid out. An initial payment on account of 5.5% will be made to creditors with preferential rights to the assets of S Air Logistics AG, while a payment of 4.8% will be made to creditors with registered third-class claims. Payments on account on suspended claims or on those for which an appeal against the schedule of claims is pending will be assured. The Liquidator and the Creditors' Committee have therefore decided to make a payment on account, up to the amount stated, by the end of March 2007. The corresponding distribution list is now being drawn up and will then be presented to the creditors for inspection. The payment is scheduled to be made in March 2007.

**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 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 INFORMATION TO CREDITORS**

A further Circular for creditors is planned for March 2007.

Yours sincerely

SAirLines in debt restructuring liquidation

Liquidators

Karl Wüthrich

Dr. Roger Giroud

Encl.: Overview of proceedings to draw up a schedule of claims for SAirLines

**Hotline**

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

Category	Schedule of claims									
	Registered		Recognized		Appeal lodged		Decision suspended		Rejected	
	No.	Amount in CHF	No.	Amount in CHF	Anzahl	CHF	No.	Amount in CHF	No.	Amount in CHF
Secured by right of lien	-	-	-	-	-	-	-	-	-	-
Preferential rights to the corporate assets of S Air Logistics AG	7	83'883'644.64	4	170'217.80	1	10'000'000.00	1	73'578'416.39	4	135'010.45
Preferential rights to the corporate assets of S Air Relations AG	11	242'285'270.88	9	4'292'146.45	-	-	1	102'637'015.06	7	135'356'109.37
Preferential rights to the corporate assets of S Air Services AG	5	44'747'368.51	4	4'429'846.30	-	-	1	40'184'286.86	1	133'235.35
First class	177	91'709'000.29	-	-	-	-	-	-	177	91'709'000.29
Second Class	1	3'082.40	1	3'082.40	-	-	-	-	-	-
Third Class <sup>1)</sup>	156	65'470'710'388.82	18	49'1039'582.73	7	1'737'915'853.32	4	4'069'971'445.23	140	59'171'783'507.54
<b>Total</b>		<b>65'933'338'755.54</b>		<b>499'934'875.68</b>		<b>1'747'915'853.32</b>		<b>4'286'371'163.54</b>		<b>59'399'116'863.00</b>