

To the creditors and the debt  
restructuring judges in the cases of

- SAirGroup
- SAirLines
- Swissair Schweiz. Luftverkehr AG
- Flightlease AG

Küsnacht, 10 May 2002  
Wü/cb

### **Interim report of the administrator**

This interim report is being sent to creditors of SAirGroup, SAirLines and Flightlease AG with the invitations to attend the meeting of creditors at the end of May 2002. It has not yet been possible to record all creditors of Swissair Schweizerische Luftverkehr AG (hereinafter “Swissair”). I am therefore unable at present to send this interim report to every individual creditor of this company personally. It is being published with immediate effect at my website [www.sachwalter-swissair.ch](http://www.sachwalter-swissair.ch) and will be sent to all Swissair creditors later.

Specifically, I have the following interim report to make to you about the progress of the debt-restructuring procedure since 12 March 2002.

#### **1. GENERAL**

On 31 March 2002 the transfer of Swissair’s aviation business to Crossair was completed smoothly as planned. This satisfactory result was achieved by the exceptional effort made by all concerned, despite complicated framework conditions. My thanks go to the employees of Swissair Group for the work they have done, and I wish Crossair successful flying in future.

This substantially concludes the work on Project Phoenix+, as far as Swissair is concerned. Only the Swiss Confederation's loans to Swissair totalling CHF 1.45 billion remains to be settled.

## **2. SALE OF ASSETS**

### **2.1 Individual transactions**

- *Volare*: SAirLines concluded a contract with Mr Gino Zocchai for the sale of its 48.62% stake in the share capital of Volare Group SpA and its 19 367 133 convertible loan stock of Volare Group SpA for a total price of CHF 21 572 044.--. In connection with the conclusion of this contract, SAirGroup had to reduce its claim against Air Europe, a Volare Group subsidiary, from CHF 20 million to CHF 14 214 708.--, to allow restructuring of the company. Gino Zocchai is Chairman of the Board of Directors of Volare Group. The agreement should allow recapitalisation of Volare, thereby rescuing the stricken group and its subsidiaries. Thus the sale benefits the Swissair Group companies not only through the proceeds of the sale, but by improving the prospects of settlement of its claims. By order dated 20 March 2002, the debt restructuring judge at the District Court of Zurich approved the transaction. The agreement is subject to approval by the Italian anti-trust authorities. The transaction has not yet been executed.
  
- *Cargologic*: SAirLines and SAirGroup have concluded a contract with Rhenus Alpina AG, of Basle, for the sale of the whole share capital of Cargologic AG, of Kloten, and the rights to the trademark "Cargologic" and the domain names "cargologic.com", "cargologic.org", "cargologic.info" and "cargologic.biz". Cargologic AG is under debt-restructuring moratorium, and the contract of sale requires the buyer to restructure the company. This restructuring obligation includes all claims registered upon the call to creditors which are undisputed by Cargologic AG. I am pleased that it has been possible to find a good solution for the creditors and employees of Cargologic AG. If Cargologic AG had been the subject of a debt-restructuring moratorium or bankruptcy, the

employees would have been made redundant and the creditors would have had to renounce at least part of their claims. The debt restructuring judge at the District Court of Zurich approved the transaction, by order dated 19 March 2002. The contract has since been executed.

- *Gate Gourmet Group:* at the end of March 2002 SAirLines, SAirGroup and Swissair concluded a contract with Texas Pacific Group for the sale of Gate Gourmet Group. The purchase price for the debt-free Gate Gourmet Group (i.e. free of financial debts to banks and Swissair Group companies) is CHF 1.075 billion. This price is not sufficient to meet all Gate Gourmet Group's debts, which exceed CHF 1.8 billion. To allow the contract with Texas Pacific Group to be executed, the affected creditors of Gate Gourmet Group, especially SAirGroup, SAirLines, Swissair, SAirGroup Finance (USA) Inc. and SAirGroup Finance (NL) BV have to reach agreement on the distribution of the proceeds from the sale. No such agreement has yet been reached. In particular SAirGroup Finance (USA) Inc., which issued the USD loan, respectively a group of creditors of that company, is asserting claims which SAirGroup considers unacceptable.

As soon as agreement is reached between the creditors of Gate Gourmet Group, the transaction can be submitted to the debt restructuring judges for approval. The transaction will only be executed when that approval has been given.

- *Nuance Group:* in mid-April 2002 SAirLines and SAirGroup concluded a contract with Noel International SA for the sale of Nuance Group. The purchase price for the debt-free Nuance Group is CHF 395 million, enough to cover all financial debts. SAirLines, as the owner of Nuance Group, can expect an influx of over CHF 100 million of proceeds from this sale.

The transaction has yet to be approved by the debt restructuring judge and anti-trust authorities. A few weeks will therefore elapse until the transaction is executed.

- *Rights to 17 Airbus aircraft:* Flightlease AG and a foreign company belonging to Flightlease Group have concluded a contract with Crossair for the sale of their economic interests in 17 Airbus aircraft with a German leverage lease structure, at the price of USD 390 million. The transfer of the lease became effective on 31 March 2002. After all deductions had been made from the gross sale price, the Flightlease companies received net proceeds of over USD 100 million. Flightlease AG received around CHF 85 million from this transaction. The agreement avoided the threatened termination of the leasing contracts by the lessors, which would have entailed contractual compensation claims on the part of the lessors of around EUR 75 million. The debt restructuring judge at the District Court of Bülach approved the transaction by order dated 22 March 2002. The transaction has since been executed.
- *One spare engine:* Flightlease AG sold a used MD-11 spare engine for the price of USD 1.9 million to United Technologies Corporation, of East Hartford, USA. The engine had not been used recently. In the near future, maintenance costs of around USD 1 – 2 million were expected. The buyer has accepted the engine in its present state with no warranty obligation on the part of Flightlease AG. Selling at this point in time has also saved future storage costs. The debt restructuring judge at the District Court of Bülach approved the sale, and the transaction has since been executed.
- *Inflight material:* Swissair sold Crossair part of the inflight material (crockery, cutlery, glassware, cups, jugs, trolleys, serviettes etc.) at a net liquidation value estimated by experts at CHF 8 million. Initially Crossair was only willing to pay a fraction of the liquidation value. Swissair and Crossair are still engaged in talks about the sale of other equipment, uniforms and furnishings. The sale price in each case will be negotiated on the basis of expert valuations. The transactions will be submitted to the debt restructuring judge for approval.

## **2.2 Projects pending**

The projects for the sales of SR Technics and Avireal are still pending. Initial, preparatory steps have been taken for the sale of SAirLines' holding in Cargolux.

## **3. THE "SWISSAIR" TRADEMARK**

SAirGroup, SAirLines and Swissair have decided, with my agreement, not to appeal against the order of the judge sitting alone at the Commercial Court of the Canton of Zurich of 4 March 2002. The judge's order refused an interim relief banning Crossair from branding itself under the mark "Swiss" and using the trade name "Swiss Air Lines". Swissair Group made its decision in the realisation that the available legal remedies would not have allowed to alter the *status quo*. Swissair Group and I are still of the opinion that

Crossair's behaviour infringes Swissair Group's trademark rights. This has been expressly pointed out to Crossair. It has also been made clear that Swissair Group expressly reserves the right to all legal remedies, especially ordinary lawsuits at home and abroad, against Crossair and Swiss Air Lines Ltd. Crossair has since decided to use the trade name "Swiss International Air Lines Ltd." rather than "Swiss Air Lines Ltd."

## **4. SITUATION AT 5 OCTOBER 2001**

The work on the inventory of assets of the companies under debt-restructuring moratorium will be completed in the next few days. The same applies to the recording of the claims registered against SAirGroup, SAirLines and Flightlease AG. At present the companies are responding to the submitted claims. The respective status reports for SAirGroup, SAirLines and Flightlease AG will be available by the end of May 2002. From 3 June 2002 they will then be available to creditors for inspection as part of the display of records and will, at the same time, be published at my website. I

will comment on the respective status reports in detail at the meetings of creditors.

## **5. INVESTIGATION OF RESPONSIBILITY**

After successful revision of the questionnaire, Ernst & Young AG, of Zurich, started its investigative work at the end of March 2002. Creditors will be briefed on initial findings at the meetings of creditors.

The Swiss Confederation, the Canton of Zurich and Mr Hans-Jacob Heitz have withdrawn their application for a special audit of SAirGroup. By order dated 11 April 2002, the District Court of Zurich cancelled their request as having been settled by the withdrawal.

## **6. FURTHER PROGRESS OF THE DEBT-RESTRUCTURING MORATORIUM**

### **6.1 SAirGroup, SAirLines and Flightlease AG**

The debt-restructuring procedure concerning SAirGroup, SAirLines and Flightlease AG can continue to run according to the plan contained in Heading V of my interim report of 12 March 2002. At the end of May 2002, the creditors of these companies will be sent invitations to the meetings of creditors on 26 and 27 June 2002 respectively.

### **6.2 Swissair**

In my interim report of 12 March 2002 I stated that the pilots had submitted significantly higher claims against Swissair than Management had expected. Early in April 2002 I was informed by cabin crew representatives that the flight attendants would soon be submitting about 3500 new claims against Swissair, which have been corrected upwards. There is not enough time to register the further submissions by mid-May 2002. Such registration is, however, a necessary preparation for the meeting of creditors of Swissair. As administrator, I have to present a status report on the

company to the creditors at that meeting. The privileged claims so far submitted form an important item in this report. Especially, it must be assessed whether the company's assets will cover the privileged employee claims registered. A debt-restructuring agreement with assignment of assets is only possible if this is so.

For these reasons the meeting of creditors, scheduled for 26 June 2002, has had to be postponed. It will probably be held in autumn 2002. I will notify the creditors of Swissair again as soon as the further course of the procedure can be established.

## **7. INFORMATION TO CREDITORS**

Creditors will continue to be kept up-to-date on the procedure by reports published at my website.

Kind regards

Karl Wüthrich

Administrator