

RECHTSANWÄLTE
AVOCATS
ATTORNEYS AT LAW

**Unofficial Translation
of German Original**

WENGER PLATTNER

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To the creditors of SAirLines
in debt restructuring liquidation

Küsnacht, 18 July 2006 WuK

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SAirLines in debt restructuring liquidation; Circular no. 8

Ladies and Gentlemen

This Circular provides information on the progress of the debt restructuring liquidation of SAirLines since the beginning of March 2006:

I. PRESENTATION OF SCHEDULE OF CLAIMS FOR INSPECTION BY CREDITORS

1. Procedure

The schedule of claims and the current liquidation status of SAirLines as at 31 May 2006, including the inventory, will be available for inspection by creditors between 19 July and 8 August 2006 at the office of the Co-Liquidator Karl Wüthrich at Seestrasse 39, Goldbach-Center, 8700 Küsnacht. Please make an appointment with Ch. Rysler, phone +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 of the public announcement in the Swiss Official Gazette of Commerce that the schedule of claims is available for inspection. The respective

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ALLE ANWÄLTE SIND AN IHREM JEWEILIGEN STANDORT IM
ANWALTSREGISTER BZW. IN DER EU/EFTA ANWALTSLISTE EINGETRAGEN

announcement in the Swiss Official Gazette of Commerce will be made on 19 July 2006. The 20 day period will thus run until 8 August 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 recognised 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 German, the official language to conduct the insolvency proceedings of SAirLines, 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. The main individual points are as follows:

2.2 Claims secured by rights of lien

No claims secured by rights of lien have been registered.

2.3 Claims with preferential rights to the corporate assets of S Air Logistics AG, S Air Relations AG and S Air Services AG

At the end of June 2001, the companies S Air Logistics AG, S Air Relations AG and S Air Services AG were each merged with SAirLines by means of absorption. Under the statutory provisions of the Swiss Code of Obligations (CO) which were applicable at the time of the merger, even after their merger with SAirLines the corporate assets of S Air Logistics AG, S Air Relations AG and S Air Services AG serve primarily to satisfy claims directed against these three merged companies. These corporate assets would only be included in the disposable assets of SAirLines to the extent that there was any surplus once claims against the individual companies had been satisfied. These regulations mean that the creditors of the three merged companies have a preferential

right to have their claims satisfied from the corporate assets of the debtor companies in question (S Air Logistics AG, S Air Relations AG and S Air Services AG). These creditors would then take part in the distribution of SAirLines assets if their claims could not be satisfied in full from the assets of the individual companies. The allocation of the individual companies' corporate assets is shown in the SAirLines status report as at 31 May 2006 (Appendix 2). It has the following consequences for the three companies concerned:

- *S Air Logistics AG*: Seven creditors have registered claims against S Air Logistics AG totalling CHF 83,883,644.64. Claims amounting to CHF 170,217.80 are being recognized and claims amounting to CHF 10,135,010.45 are being rejected. A decision on the CHF 73,578,416.39 in claims lodged by SAirGroup has been suspended. The assets of S Air Logistics AG amount to CHF 139,723,843 (see Appendix 2). Even if all registered claims of CHF 83,883,644.64 had to be acknowledged, it would be possible to satisfy them in full.
- *S Air Relations AG*: Eleven creditors have registered claims against S Air Relations AG totalling CHF 242,285,270.88. Claims amounting to CHF 4,280,665.50 are being recognized and claims amounting to CHF 135,367,590.32 are being rejected. A decision on the CHF 102,637,015.06 in claims lodged by SAirGroup has been suspended. The assets of S Air Relations AG amount to CHF 230,747,696 (see Appendix 2). Even if all registered claims of CHF 212,235,270.88 had to be acknowledged, a dividend of 95.2% could be paid out. Yet, the chances that the claims to be recognized are fully covered, are very good.
- *S Air Services AG*: Five creditors have registered claims against S Air Services AG totalling CHF 44,747,368.51. Claims amounting to CHF 4,429,846.30 are being recognized and claims amounting to CHF 133,235.35 are being rejected. A decision on the CHF 40,184,286.86 in claims lodged by SAirGroup has been suspended. The assets of S Air Services AG amount to CHF 294,836,768 (see Appendix 2). Even if all registered claims of

CHF 44,747,368.51 had to be acknowledged, it would be possible to satisfy them in full.

2.4 First-class claims

177 creditors registered first-class claims totalling CHF 91,709,000.29. All of these claims are being rejected. The rejected claims had been lodged by former employees of Swissair Swiss Air Transport Company Ltd. ("Swissair").

2.5 Second-class claims

One creditor registered a second-class claim of CHF 3,082.40. This claim is being recognized.

2.6 Third-class claims

Third-class claims totalling CHF 65,470,710,388.82 were registered by 156 creditors. Of these, claims of CHF 488,142,823.48 are being recognized and claims of CHF 60,912,596,120.11 are being rejected. The assessment of claims in the total amount of CHF 4,069,971,455.23 registered by four creditors is suspended until the precise circumstances of these claims have been clarified. Of this figure, CHF 2,825,348,405.78 relates to SAirGroup.

II. ESTIMATED DIVIDEND

The liquidation status of SAirLines as at 31 May 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 the disposable assets reflected in the liquidation status, the maximum dividend for third-class claims will be 27.6%, 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 into this calculation at 50%. However, if all of the creditors concerned are successful in their actions to contest the rejection of their claims, the minimum dividend will be 0.4%. 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. ENFORCEMENT OF AVOIDANCE CLAIMS AGAINST BÄR & KARRER, ATTORNEYS AT LAW

On 5 October 2001, SAirLines paid CHF 200,000.00 to Bär & Karrer, Attorneys at Law, Zurich, as a payment on account/advance on costs. The Liquidators concluded that this payment satisfied all the conditions for an avoidance claim (see Circular no. 5, section I.7.5). After conciliatory proceedings failed, SAirLines lodged the corresponding avoidance claim with the district court of Zurich. After suit had been filed, the parties concluded the following settlement, encompassing the balance of all claims. The settlement was subject to the approval of the Creditors' Committee, non-prejudicial and does not recognize any legal obligation.

1. Bär & Karrer will pay CHF 140,000.00 in settlement of the balance of all claims.
2. SAirLines undertakes to withdraw the action with the district court of Zurich within ten days of receipt of payment.
3. Court costs will be split 50:50 between the parties, and their own legal costs will be declared settled.

The settlement takes appropriate account of the risks of litigation. The Creditors' Committee has approved the settlement, which has since been effected.

IV. NEXT STEPS IN THE PROCEEDINGS

Once the deadline for the lodging of actions to contest the schedule of claims has expired, the extent to which the schedule is final will be established and it will be possible to decide whether or not 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

SAirLines in debt restructuring liquidation

The Liquidators

Karl Wüthrich

Dr. Roger Giroud

- Encs:
1. Overview of proceedings to draw up the schedule of claims for SAirLines
 2. SAirLines liquidation status as at 31 May 2006

**Hotline SAirLines
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		min.	max.
			No.	Amount in 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	73'578'416.39	4	10'135'010.45	100.0%	100.0%
Preferential rights to the corporate assets of S Air Relations AG	11	242'285'270.88	8	4'280'665.50	1	102'637'015.06	7	135'367'590.32	95.2%	100.0%
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	100.0%	100.0%
First class	177	91'709'000.29	-	-	-	-	177	91'709'000.29	100.0%	100.0%
Second Class	1	3'082.40	1	3'082.40	-	-	-	-	100.0%	100.0%
Third Class ¹⁾	156	65'470'710'388.82	16	488'142'823.48	4	4'069'971'445.23	140	60'912'596'120.11	0.4%	27.6%
Total		65'933'338'755.54		497'026'635.48		4'286'371'163.54		61'149'940'956.52		

¹⁾ The third-class claims for which decisions have been suspended are factored into this calculation at 50%.

LIQUIDATION STATUS AS OF 31 MAY 2006

	Total CHF	S Air Logistics AG CHF	S Air Relations AG CHF	S Air Services AG CHF	SAirLines CHF
ASSETS					
Liquid funds					
Cash	3				3
UBS AG CHF	243'604'844	5'556'453	167'195'888	47'293'936	23'558'567
UBS AG USD	2'830'042				2'830'042
UBS AG EUR	1'415				1'415
Credit Suisse	12'407				12'407
ZKB CHF	2'347'443			1'310'005	1'037'438
Fixed-term deposits	155'000'000			145'000'000	10'000'000
Total liquid funds	403'796'154	5'556'453	167'195'888	193'603'941	37'439'872
Liquidation positions					
Accounts receivable	485'520	3'345	127'142	324'707	30'326
Advance on legal costs	587'153		364'153		223'000
Open apportionment of proceeds and escrow accounts from the sale of Swissport, Restorama, RailGourmet, Gate Gourmet and Nuance	65'000'000		64'000'000	1'000'000	-
Receivables from third parties	3'561'396	691'695	9	2	2'869'690
Shareholdings, securities	239'902'358	135'942'350	-	101'760'001	2'200'007
Responsibility claims	p.m.	p.m.	p.m.	p.m.	p.m.
Avoidance claims	p.m.	-	-	-	p.m.
Total liquidation positions	309'536'427	136'637'390	64'491'304	103'084'710	5'323'023
TOTAL ASSETS	713'332'581	142'193'843	231'687'192	296'688'651	42'762'895
LIABILITIES					
Debts of the estate					
Accounts payable	32'439		14'496	6'883	11'060
Provision for portion of salary costs for Close-Down Team	2'000'000	600'000	300'000	600'000	500'000
Provision for liquidation costs	6'232'500	1'870'000	625'000	1'245'000	2'492'500
Total debts of the estate	8'264'939	2'470'000	939'496	1'851'883	3'003'560
TOTAL DISPOSABLE ASSETS	705'067'642	139'723'843	230'747'696	294'836'768	39'759'335

Calculation of assets available for 3rd class claims against SAirLines

	Minimum CHF	Maximum CHF	Remarks
Total disposable assets	705'067'642	705'067'642	
Claims with preferential rights to the corporate assets of S Air Logistics AG, S Air Relations AG and S Air Services AG	-370'916'284	-8'880'730	Appendix 1
First class claims	-91'709'000	-	Appendix 1
Second class claims	-3'082	-3'082	Appendix 1
TOTAL assets of SAirLines available for distribution to creditors with 3rd class claims	242'439'276	696'183'830	