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**Unofficial Translation  
of German Original**

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**Registered**

To the creditors of  
Swissair Swiss Air Transport  
Company Ltd. in debt restructuring  
liquidation

Küsnacht, 21 December 2006 WuK/fee

**Swissair Swiss Air Transport Company Ltd. in debt restructuring  
liquidation; Circular no. 8**

Ladies and Gentlemen

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

**I. SETTLEMENT OF LIABILITIES**

It had been planned that the schedule of claims would be presented for inspection in June 2006. It emerged, however, that the assessment of the many and often very complex facts of the individual cases has taken longer than originally thought. It was therefore not possible to keep to the schedule.

Work regarding the content of the schedule of claims has now been completed. The Creditors' Committee has progressed with its review of the schedule of claims. The schedule of claims will be finalized in January 2007. Formal adjustments to the schedule of claims and the approx. 5,000 related orders will require slightly more time, however. It is now envisaged that the schedule of claims be presented for public inspection by no later than mid-February 2007. Creditors will be informed by circular in due course.

**II. CLAIMS AGAINST THE SWISSAIR SABENA AIRLINE MANAGEMENT PARTNERSHIP, LONDON, KLOTEN BRANCH ("AMP SWITZERLAND")**

In May 1995, Swissair acquired a 49.5 % stake in the Belgian Sabena S.A. ("Sabena"). Key operational departments of Swissair and Sabena, specifically functions and processes relating to Network Management, Finance, IT, Sales and Marketing, were subsequently merged with the aim of expanding the airlines' joint market position and exploiting synergies to save costs.

To this end, in July 2000 a joint management company – the Airline Management Company, later known as Swissair Sabena Airline Management Partnership ("AMP") – was founded, with its registered office in London and branches in Kloten and Brussels. As equal partners, Swissair and Sabena each held a 50 % stake. AMP was set up as a partnership under English law in accordance with the Partnership Act of 1890.

By order of 28 February 2002, the bankruptcy judge at the District Court of Bülach opened bankruptcy proceedings against the AMP Switzerland branch entered in the Swiss commercial register. The Bassersdorf Bankruptcy Office was charged with winding up the company.

The excess of liabilities over assets resulting from the insolvency of AMP Switzerland – which under the terms of the partnership agreement would have to be borne by both partners, Swissair and Sabena – will probably exceed the amount of CHF 65 million.

Swissair registered claims totalling CHF 41,228,841.03 in the AMP Switzerland bankruptcy proceedings, CHF 28,788,131.03 of which are first-class claims. In accordance with Art. 59 par. 3 of the Ordinance on the Conduct of Business by Bankruptcy Offices (Verordnung über die Geschäftsführung der Konkursämter, KOV), the Swissair claims are being suspended in the schedule of claims for the time being. The administrators of AMP Switzerland have informed the Liquidator of Swissair that they plan to reject Swissair's claims. A detailed examination of Swissair's legal position has yielded the following result:

AMP was founded as a partnership under English law. AMP Switzerland and specifically issues concerning its liability and the identification of the proper parties to be sued in respect of claims by AMP Switzerland's partners are therefore subject to English law.

According to the English attorney consulted by Swissair, partners in a partnership cannot simultaneously be creditors of that partnership. Swissair is therefore unable to enforce any claims in the AMP Switzerland bankruptcy proceedings. Swissair is only entitled to a share of any remaining surplus in assets once all of the partnership's creditors have been satisfied. AMP Switzerland is overindebted. Consequently, there will be no surplus of assets in which Swissair might be entitled to participate.

In light of this assessment of Swissair's legal position, the Liquidator and the Creditors' Committee have decided not pursue the claims registered in the AMP Switzerland insolvency proceedings.

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

#### **1. General Remarks**

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

#### **2. Assignment Requests by Individual Creditors**

Creditors are hereby offered the option of being assigned the right to file and pursue a court action in respect of Swissair's claims against AMP Switzerland (see section II above).

Requests for assignment according to Art. 260 DEBL may be lodged with the undersigned Liquidator **in writing by 15 January 2007 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. REAL ESTATE ABROAD**

##### **1. Condominium units at 846 Santa Fé Ave in Buenos Aires, Argentina**

In 1956, SAirGroup (then still Swissair Swiss Air Transport Company Ltd.) registered a branch office in Buenos Aires, Argentina, under the name of "Swissair Lineas Aereas Suizas Sociedad Anònima (Sociedad Extranjera)". On 7 December 1956, this branch office purchased the property at 846 Santa Fé Ave in Buenos Aires. Over the years, it sold several of the property's condominium units. On 5 October 2001, the Argentinian land register showed the following condominium units at 846 Santa Fé Ave in Buenos Aires still registered in the name of the Argentinian branch: Units 1 and 2 (ground floor), unit 15 (1<sup>st</sup> floor), unit 5 (3<sup>rd</sup> floor), unit 6 (4<sup>th</sup> floor) and unit 7 (5<sup>th</sup> floor), as well as the basement compartments unit I, II and III. All condominium units were sold with the consent of the Creditors' Committees of SAirGroup and what is now Swissair Swiss Air Transport Company Ltd. ("Swissair"). The proceeds of the sale were deposited in an escrow account with Zürcher Kantonalbank (see Circular no. 3, section. I.2.2).

In the interim, the Liquidator of SAirGroup and the Deputy Liquidator of Swissair have had investigations conducted into the ownership of the condominium units in Buenos Aires. The local legal experts who were consulted concurred that SAirGroup was the owner of the said condominium units up to their sale. The total net proceeds of CHF 2,652,582.78 (after the deduction of realization costs) from the sale of the Buenos Aires condominium units therefore accrue to SAirGroup.

SAirGroup and Swissair have agreed that the costs and income accruing to real estate abroad after 5 October 2001 will be divided between the parties separately for each property at the same time and in the same

proportions as the sale proceeds are distributed. In this connection, SAirGroup and Swissair have concluded a settlement agreement in respect of the condominium units in Buenos Aires. The agreement covers the following points:

- SAirGroup will pay Swissair the balance of CHF 782,496.14 in costs and income accrued on the Buenos Aires condominiums since 5 October 2001.
- SAirGroup undertakes to meet all costs and taxes that may be incurred in Argentina from now on.
- No further statement will be drawn up of the costs and income accrued on the Buenos Aires condominium units prior to 5 October 2001.
- Insofar as Swissair has made payments in kind of any type to SAirGroup for the book transfer from SAirGroup to Swissair of the condominium units in Buenos Aires, these payments will be recognized as creditors' claims in the SAirGroup liquidation proceedings and either set off against any creditors' claims by SAirGroup against Swissair or included in the schedule of claims as 3<sup>rd</sup> class claims. Reciprocal creditors' claims will be settled as part of work to draw up a schedule of claims.

The Creditors' Committees of SAirGroup and Swissair have approved the allocation of sale proceeds concerning the condominium units in Buenos Aires.

### **2. Six properties in England**

Between 1977 and 1982, SAirGroup (then still Swissair Swiss Air Transport Company Ltd.) acquired a number of single-occupancy houses close to London Heathrow airport. The properties in England were used by Swissair after the Swissair Group had been reorganized into a holding structure in May 1997. Swissair carried the properties as assets in its balance sheet and also met the maintenance costs for each. With the approval of the Creditors' Committees of SAirGroup and Swissair, efforts to sell these properties have been stepped up since the end of

September 2005. To date, contracts of sale have been concluded for the following properties:

- 14 Queens Road, Kingston upon Thames	GBP	725,000
- 47 Kenton Avenue, Sunbury on Thames	GBP	325,000
- 2 Beech Close, Sunbury on Thames	GBP	285,000
- 71A Parkland Grove, Ashford	GBP	295,000

In order to allocate the sale proceeds, investigations had to be conducted in England into which entity – SAirGroup or Swissair – is entitled under English law to the proceeds of the English property sales. The Liquidator of SAirGroup and the Deputy Liquidator of Swissair each engaged a law firm in London to clarify this issue. The legal experts concurred that SAirGroup is the "legal owner" of the English properties. According to the land certificates, the six properties belong formally to SAirGroup. Swissair, meanwhile, is the "beneficial owner" of the English properties. Under English law, the beneficial owner is entitled to the income from the use of the property (rental income and sale proceeds). This entitlement can also be asserted by the beneficial owner in the event of the insolvency of the legal owner. It is therefore clear that the proceeds from the sale of the English properties are due to Swissair alone.

As the legal owner, in the summer of 2004 SAirGroup had to take legal action to evict squatters from the property at 15 Gilmore Close, Langley. The eviction was successful. Furthermore, SAirGroup – as the legal owner – had to be involved in the sale of each of the properties. In an agreement, Swissair undertook to indemnify SAirGroup for all costs associated with the eviction proceedings in the summer of 2004, as well as for those costs incurred in connection with its part in the property sales.

### **3. Three properties in Dar-es-Salaam, Tanzania**

Between 1971 and 1983, SAirGroup (then still Swissair Swiss Air Transport Company Ltd.) acquired building rights for three premises in Dar-es-Salaam, Tanzania. There is one house on each of the premises. The Group's restructuring in 1997 left the ownership of the

aforementioned properties unclear, i.e. whether SAirGroup, its Tanzanian branch "Swissair, Swiss Air Transport Company Ltd." or "Swiss Air Transport Company Ltd." was entered as the entitled party in the certificates of occupancy, or whether the newly-founded Swissair was the entitled party in this respect. Swissair paid the maintenance costs for the three properties from May 1997 onwards. The three properties were sold with the approval of the Creditors' Committees of SAirGroup and Swissair. The sale proceeds of CHF 240,940.75 gross were deposited in an escrow account with Zürcher Kantonalbank (see Circular no. 3, section. I.2.3).

Given the relatively modest sale proceeds, the Liquidator of SAirGroup and the Deputy Liquidator of Swissair decided not to go ahead with laborious investigations into the ownership of the three Dar-es-Salaam properties. SAirGroup and Swissair have concluded the following agreement concerning the allocation of the sale proceeds from these properties:

- From the sale proceeds, Swissair will receive an initial payment of CHF 11,852.40, corresponding to the balance of costs and income accruing to the properties since 5 October 2001.
- The remaining net proceeds of CHF 229,088.38 will be halved between Swissair and SAirGroup.
- SAirGroup and Swissair furthermore both waive any other claims in connection with the Dar-es-Salaam properties.

The Creditors' Committees of SAirGroup and Swissair have approved the allocation of sale proceeds concerning the Dar-es-Salaam properties.

**V. SETTLEMENT OF RECIPROCAL CLAIMS WITH SWISSAIR FLIGHT SUPPORT AG IN LIQUIDATION**

Swissair Flight Support AG in Liquidation ("SFS") is majority-owned by Swissair. Prior to its liquidation, its object was to support pilots with navigation data and documentation on flight operations. In 2000, SAirGroup granted SFS loans totalling CHF 6,000,000. In April 2001, Swissair also granted SFS a loan, this time of CHF 5,000,000. In May

2000 and June 2001, SAirGroup and Swissair respectively each signed a subordination agreement relating to their loans to SFS. This means that subordinated loan claims may only be paid from any liquidation surplus that exists once the claims of all other SFS creditors have been satisfied.

After the collapse of the Swissair Group in October 2001, all of the assets of SFS were sold to the Lufthansa subsidiary Lido GmbH in December 2001. The Annual General Meeting of SFS subsequently decided on 2 October 2002 to liquidate the company. The realization of assets and settlement of liabilities was completed in the summer of 2004. In July 2004, the SFS liquidators anticipated that around CHF 800,000 would be available for distribution as liquidation proceeds. In the interim a further creditor has asserted a claim of approximately CHF 510,000 against SFS, although this claim is neither justified nor evidenced in the view of the company's liquidators. The outcome of any court case is impossible to predict at the present time.

In January 2006, SAirGroup, Swissair and SFS concluded an agreement concerning the distribution of the SFS liquidation proceeds. The agreement took into account that SFS also had claims against SAirGroup and Swissair that it could set off against the loan claims. Once the claims of higher-ranking creditors have been met, SAirGroup will receive 68 % and Swissair 32 % of the remaining SFS liquidation proceeds. This agreement has been approved by the Creditors' Committees of SAirGroup and Swissair.



**VI. REPORT ON ACTIVITIES 2006**

The Liquidator's report to the debt restructuring judge accounting for his activities in the year of 2006 will be drawn up in the first quarter of 2007. The report will be available to the creditors for inspection no later than April 2007. At this time, creditors will receive a summary of the report.

Yours sincerely

Swissair Swiss Air Transport Company Ltd.  
in debt restructuring liquidation

The Liquidator:

Karl Wüthrich

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