

CH-8700 KÜSNACHT-ZÜRICH
GOLDBACH-CENTER
SEESTRASSE 39
TELEFON +41 (0)43 222 38 00
TELEFAX +41 (0)43 222 38 01
ZUERICH@WENGER-PLATTNER.CH
WWW.WENGER-PLATTNER.CH

Registered letter

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

Küsnacht, 5 December 2005 WuK/fee

DR. WERNER WENGER*
DR. JÜRIG PLATTNER
DR. PETER MOSIMANN
STEPHAN CUENI*
PROF. DR. GERHARD SCHMID
DR. JÜRIG RIEBEN
DR. MARKUS METZ
DR. DIETER GRÄNICH*
KARL WÜTHRICH
YVES MEILI
FILIPPO TH. BECK, M.C.J.
DR. FRITZ ROTHENBÜHLER
DR. STEPHAN NETZLE, LL.M.
DR. BERNHARD HEUSLER
DR. ALEXANDER GUTMANS, LL.M.*
PETER SAHLI**
DR. THOMAS WETZEL
DR. MARC S. NATER, LL.M.
SUZANNE ECKERT
PD DR. FELIX UHLMANN, LL.M.
PROF. DR. MARKUS MÜLLER-CHEN
ROLAND MATHYS, LL.M.
MARTIN SOHM
RETO ASCHENBERGER, LL.M.
BRIGITTE UMBACH SPAHN, LL.M.
GUDRUN ÖSTERREICHER SPANIOL
DR. MARKUS SCHOTT, LL.M.
DR. CHRISTOPH MÜLLER, LL.M.
DR. SIMONE BRAUCHBAR BIRKHÄUSER, LL.M.
AYESHA CURMALLY*
CLAUDIUS GELZER, LL.M.
CORNELIA WEISSKOPF-GANZ
OLIVER ALBRECHT
DR. CHRISTOPH ZIMMERLI, LL.M.
DR. REGULA HINDERLING
DR. STEPHAN KESSELBACH
MADLAINA GAMMETER
DR. RODRIGO RODRIGUEZ
PD DR. PETER REETZ
DR. ADRIAN RAPP
DR. RETO VONZUN, LL.M.
MARTINA STETTLER
CRISTINA SOLO DE ZAIDÍVAR
DANIEL TOBLER**
MILENA MÜNST
DR. SALOME WOLF
DR. ALEXANDRA ZEITER
DR. ROLAND BURKHALTER

ANDREAS MAESCHI
KONSULENT

* AUCH NOTARE IN BASEL

** INHABER ZÜRCHER NOTARPATENT
ALS RECHTSANWALT NICHT ZUGELASSEN

Swissair Swiss Air Transport Company Ltd in debt restructuring liquidation; Circular no. 6

Ladies and Gentlemen

This Circular provides information on the progress of the debt restructuring liquidation since mid-May 2005:

I. SETTLEMENT OF LIABILITIES

1. General

Work on drawing up the schedule of claims is well underway. There are indications, however, that it will not be possible to complete this work by the end of the current year, as planned. As plans stand at present, the schedule of claims should be finished in the course of the first half of 2006. It will then be published for inspection by the creditors.

2. Offer to flight attendants taking early retirement

Under the provisions of the collective employment contract for cabin crew, flight attendants had the option of taking early retirement. Pensions were financed via what was known as the F/A fund. In

BÜRO BASEL: CH-4010 BASEL
AESCHENVORSTADT 55
TELEFON +41 (0)61 279 70 00
TELEFAX +41 (0)61 279 70 01
BASEL@WENGER-PLATTNER.CH

BÜRO BERN: CH-3000 BERN 6
JUNGFRAUSTRASSE 1
TELEFON +41 (0)31 357 00 00
TELEFAX +41 (0)31 357 00 01
BERN@WENGER-PLATTNER.CH

addition, flight attendants taking early retirement were entitled to a bridging pension from Swissair between their 63rd and 65th birthdays ("AHV bridging pension"). This AHV bridging pension corresponded to the highest single AHV pension at the point regular pension payments began.

When the provisional debt restructuring moratorium was granted, there were 161 flight attendants who had taken early retirement but had not yet reached their 63rd birthday. As a result of the debt restructuring proceedings, Swissair was no longer able to fulfil its obligations from the collective employment contract. The flight attendants concerned registered privileged claims totalling around CHF 8 million as part of the Swissair debt restructuring proceedings. In addition to AHV bridging pensions, these registered claims relate to cuts in regular pensions, to reduced-fare flight tickets and to bonds and equities issued by SAirGroup.

The amounts being claimed by the flight attendants in respect of the AHV bridging pension are recognised by Swissair insofar as they correspond to the contractual provisions. The remainder of the flight attendants' claims are disputed. Furthermore, clarification is still required of the legal question as to whether the AHV bridging pensions are to be included in the schedule of claims as privileged first-class claims or regular third-class claims. In deciding on an action to contest the schedule of claims as part of the debt restructuring proceedings for Swisscargo AG, the District Court of Bülach ruled that the claims of a member of staff who had taken early retirement under option 96/2000 were to be included in the schedule of claims as third-class rather than first-class claims. An appeal against this ruling has been filed with the High Court of the Canton Zurich, the decision of which is still pending. It thus remains to be seen how the courts will ultimately decide this legal issue, for which no guidance is given in literature or in higher court case precedent.

In the light of this uncertainty the Liquidator, with the support of the Creditors' Committee, has made the following offer to the flight attendants concerned with a view to settling their registered privileged claims:

- Swissair will pay the flight attendants 60% of the recognised AHV bridging pension.
- The flight attendants will waive all further claims, specifically those relating to cuts in pensions and reduced-fare flight tickets.
- Decisions regarding the registered claims pertaining to bonds and equities issued by SAirGroup will be made in the context of drawing up the final schedule of claims.
- The offer will enter into force if it is accepted by 85% of the flight attendants concerned.

Of the 161 flight attendants who received an offer, 155 have accepted. Payments under the offer, which total some CHF 4.3 million, can thus be made to the flight attendants in December 2005. Decisions with regard to the claims lodged by those flight attendants who rejected the offer will be made in the course of work to draw up the schedule of claims.

II. ASSERTION OF AVOIDANCE CLAIMS

1. Avoidance claim against United Aviation Fuels

On 5 October 2001, Swissair transferred USD 1,000,000 to United Aviation Fuels. Of this figure, around USD 380,000 were intended to settle outstanding invoices and around USD 380,000 were to settle invoices that were not yet due for payment. Consequently, around USD 760,000 may potentially be challenged in the context of an avoidance claim, while around USD 240,000 represents advance payments that cannot be reclaimed. On 25 January 2002, United lodged claims of over USD 371,185.95 against Swissair. These claims referred to invoices issued between 13 December 2001 and 17 January 2002. The Swissair accounts nonetheless revealed that all of the registered claims had been met by advance payments.

In December 2002, United Aviation Fuels applied for creditor protection under Chapter 11 of the US Bankruptcy Code. Creditors would have had to have registered their claims by 12 May 2003. However, at this

time, the Swissair debt restructuring agreement had not yet been approved by the debt restructuring judge. As such, the conditions for asserting avoidance claims were not met. Although it is, in principle, possible under US law to register claims at a later date, claimants must first go through an additional procedure to obtain the corresponding authorization. We were informed by the US lawyer that this procedure would be very costly.

The United Aviation Fuels restructuring plan has since been completed. It provides for a creditor dividend of 4 - 7 % on unsecured claims. The potentially avoidable Swissair payment of around USD 760,000 could thus be expected to yield a creditor dividend of between USD 30,000 and USD 50,000. Weighing up the costs and benefits of this case, there seems to be little sense in instigating proceedings to obtain authorization to submit a late claim. Furthermore, we are advised by the US lawyer that the enforcement of a Swiss ruling in the USA in connection with Chapter 11 proceedings is highly unlikely.

On the basis of these considerations, the Liquidator and the Creditors' Committee have decided not to pursue any further avoidance claims against United Aviation Fuels.

2. Other avoidance claims

Swissair is pursuing the remaining avoidance claims itself for the time being (see Circular No. 5, section I.6).

III. CLAIMS AGAINST FLIGHTLEASE AG IN DEBT RESTRUCTURING LIQUIDATION

In order to safeguard creditors' rights against Flightlease AG in debt restructuring liquidation, on 2 August 2005 Swissair submitted an action to contest the schedule of claims to the single judge in accelerated proceedings at the District Court of Bülach with the following petition:

"Petitioner is to be included as follows in the third-class section of Respondent's schedule of claims:

WENGER PLATTNER

- a) CHF 40,904.50 fee for services rendered, invoice no. 864685 dated 18 September 2001;
- b) CHF 16,113.50 fee for services rendered, invoice no. 868333 dated 2 October 2001;
- c) CHF 5,724.00 fee for services rendered, invoice no. 398710 dated 22 November 2001;
- d) CHF 3,895.50 fee for services rendered, invoice no. 872478 dated 16 October 2001;
- e) CHF 17,176.00 fee for services rendered, invoice no. 398751 dated 20 January 2002;
- f) CHF 8,065,331.00 claims relating to volume discount accruals and deferrals, calculated as of 30 September 2001;
- g) CHF 451,552,788.00 claims from the lease of two A340-600s via ILFC;
- h) CHF 329,658,603.00 claims from overcharging on MD-11 aircraft, lease to 5 October 2001;
- i) CHF 25,826,120.00 interest on claim h) above;
- j) CHF 237,905,251.00 claims from overcharging on MD-11 aircraft, lease to end of lease;
- k) CHF 875,663.75 fee for services rendered/sale of equipment, invoice no. UE70041814 dated 7 August 1998;
- l) CHF 134,876.54 interest on claim k) above;
- m) CHF 220,346.70 fee for services rendered/sale of equipment, invoice no. UE70046447 dated 13 January 1999;
- n) CHF 29,165.33 interest on claim m) above;
- o) CHF 7,000.00 fee for services rendered, invoice no. 90036167 dated 30 September 1999;
- p) CHF 675.69 interest on claim o) above;
- q) CHF 42,000.00 fee for services rendered, invoice no. 72005797 dated 4 October 2001;

r) CHF 6,914.00 fee for services rendered, invoice no. 90006644 dated 31 December 2001;

Total CHF 1,054,408,548.51 on a variety of legal grounds;

all charges and compensations to be paid by Respondent."

Proceedings are currently suspended until 31 January 2006. In the meantime, the Creditors' Committee has decided not to pursue the following claims further. Instead, it will offer to assign the right to take legal action to the creditors:

- h) CHF 329,658,603.00 claims from overcharging on MD-11 aircraft, lease to 5 October 2001;
- i) CHF 25,826,120.00 interest on claim h) above;
- j) CHF 237,905,251.00 claims from overcharging on MD-11 aircraft, lease to end of lease;
- k) CHF 875,663.75 fee for services rendered/sale of equipment, invoice no. UE70041814 dated 7 August 1998;
- l) CHF 134,876.54 interest on claim k) above;
- m) CHF 220,346.70 fee for services rendered/sale of equipment, invoice no. UE70046447 dated 13 January 1999;
- n) CHF 29,165.33 interest on claim m) above;
- o) CHF 7,000.00 fee for services rendered, invoice no. 90036167 dated 30 September 1999;
- p) CHF 675.69 interest on claim o) above;
- r) CHF 6,914.00 fee for services rendered, invoice no. 90006644 dated 31 December 2001.

The claims as per petitions a) to f) and petition q) were recognised in the liquidator's ruling on the registered claims, however, they are set off against counter-claims. As such, these claims are not disputed and will thus not be offered for assignment to the creditors.

The claim described in petition g) (claims from the lease of two Airbus A340-600 aircraft via ILFC) will not be offered for assignment but will be pursued by Swissair itself.

IV. WAIVER OF PURSUANCE OF DISPUTED CLAIMS

1. General

Each creditor is entitled to request the assignment of the right to take legal action in respect of those legal claims for which the Liquidator and the Creditors' Committee decide not to further pursue them (Art. 325 in conjunction with Art. 260 of the Swiss Debt Enforcement and Bankruptcy Law (DEBL)). A creditor who requests assignment is entitled to assert the legal claim at his own risk and expense. In the event that he should win the legal action, 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 liquidation assets. If the creditor should lose the action, he is liable for any court and legal fees.

2. Assignment requests by individual creditors

The creditors are hereby offered the assignment of the right to pursue an action in respect of Swissair's avoidance claims against United Aviation Fuels (see section II.1 above) and to further pursue the action to contest the schedule of claims of Flightlease AG in order to have a proportion of Swissair's registered claims, amounting to CHF 594,664,616.01 (see section III above), recognised in the schedule of claims drawn up in the debt restructuring liquidation of Flightlease AG.

Requests for assignment within the meaning of Art. 260 DEBL may be lodged with the undersigned Liquidator **in writing by 23 December 2005 at the latest** (date of postmark of a Swiss post office). The right to request assignment will be deemed to be forfeited if this deadline is not met.

V. REAL ESTATE ABROAD; ARGENTINA

In Circular No. 3, dated December 2004 (section I.2.1) I described the background to the situation regarding the condominium units at 846 Santa Fé Avenue in Buenos Aires. The sales of condominium units 1, 2, 7 and 15 were completed in the early summer of 2005.

Over the past few months, buyers have also been found for the remaining condominium units on the third and fourth floors. Units 5 and 6 were sold for USD 780,000.

The Swissair and SAirGroup Creditors' Committees have agreed to the sale transactions and the transactions were completed in October 2005. All of the condominium units at 846 Santa Fé Ave. in Buenos Aires have thus now been sold.

VI. REPORT ON ACTIVITIES 2005

The Liquidator's report on activities for 2005 to the debt restructuring judge will be drawn up in the first quarter of 2006. The report will be available to the creditors for inspection no later than April 2006. On this date, creditors will receive a summary of the report.

Yours sincerely

Swissair Swiss Air Transport Company Ltd in debt restructuring liquidation

Liquidator

Deputy Liquidator

(for section III)

Karl Wüthrich

Dr. Niklaus Müller

**Hotline Swissair Schweizerische Luftverkehr-AG
in debt restructuring liquidation**

Deutsch: +41-43-222-38-30

Français: +41-43-222-38-40

English: +41-43-222-38-50