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**Registered mail**

To the creditors of SAirGroup  
in debt restructuring liquidation

Küsnacht, October 2005 WuK/fee

**SAirGroup in debt restructuring liquidation;  
Circular no. 7**

Ladies and Gentlemen

This Circular provides information on the further course of action concerning avoidance claims.

**I. AVOIDANCE CLAIMS AGAINST UBS AG FROM THE WITHDRAWAL OF THE LOAN OF CHF 30 MILLION ON 16 AUGUST 2001**

In a block credit agreement dated 4/11 October 1999, UBS granted SAirGroup a credit facility of CHF 102 million for a limited period of one year. In two amendment agreements, this credit facility was reduced to CHF 32 million in September 2000 and to CHF 31.4 million on 19 July 2001. SAirGroup used this credit facility in the form of fixed advances amounting to CHF 30 million. From 17 July 2001 onwards, the fixed advance was granted by UBS on a one-day basis only. UBS terminated this credit facility with immediate effect on 16 August 2001. UBS then charged the final fixed advance of CHF 30 million (granted from 15 to 16 August 2001), plus interest, to SAirGroup's CHF treasury account. Thereby, a total of CHF 30,007,083.35 was debited to this account with a value date of 16 August 2001. SAirGroup had a credit balance of several hundred million francs in its CHF treasury account with UBS as of 15 and 16 August 2001, in addition to other assets in other UBS accounts.

In order to safeguard its rights vis-à-vis UBS, on 20 June 2005 SAirGroup submitted a conciliation petition ("Sühnbegehren") for CHF 30,007,083.35, plus interest at 5% since 20 June 2005, to the competent justice of the peace. The conciliation hearing was held on 11 August 2005. UBS is disputing SAirGroup's avoidance claims. The order ("Weisung") issued by the justice of the peace allows SAirGroup to file an ordinary court action against UBS, and is valid until 21 November 2005.

Only legal acts on the part of the debtor can be challenged. The "repayment" of the fixed advance for CHF 30 million from SAirGroup to UBS resulted from an accounting procedure within UBS. In legal terms, this procedure is classified as a set-off: UBS reduced SAirGroup's credit balance on its CHF treasury account by setting it off against the debt owed by SAirGroup from the loan. Consequently, SAirGroup did not undertake any legal action. The set-off undertaken by UBS is deemed permissible.

Given the statements made above, the chances of a successful challenge of the withdrawal of the CHF 30 million loan are regarded as poor. The liquidation bodies will therefore not be pursuing this claim further.

## **II. SAirGroup Finance (NL) B.V.**

Investigations have revealed that in the last six months – and in the last few weeks, in particular – before the debt restructuring moratorium was granted, the flow of funds from SAirGroup Finance (NL) BV to SAirGroup was much greater than the flow in the opposite direction. As a result, there are no indications of transactions that could be challenged on the basis of voidability where SAirGroup Finance (NL) BV is concerned. Consequently, no avoidance claims can be made in respect of this relationship.

## **III. Other avoidance claims**

SAirGroup is pursuing the remaining avoidance claims itself for the time being (see Circular No. 5, section I.12).

**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 SAirGroup. 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**

Creditors are hereby offered the assignment of the right to pursue an action in respect of SAirGroup's avoidance claim against UBS AG on grounds of the repayment of the loan of CHF 30 million on 16 August 2001 (see section I above).

Requests for assignment within the meaning of Art. 260 DEBL may be lodged with the undersigned Liquidator **in writing by 7 November 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.

Further information on proceedings is scheduled to be sent out to creditors in December 2005.

Yours sincerely

SAirGroup in debt restructuring liquidation

The Liquidator

Karl Wüthrich

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