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To the creditors of SAirGroup
in debt restructuring liquidation

Küsnacht, March 2005 WuK/fee

SAirGroup in debt restructuring liquidation; Circular no. 4

Ladies and Gentlemen

This Circular provides information on the status of the SAirGroup debt restructuring proceedings since the beginning of December 2004, as well as on the next steps planned in these proceedings over the coming months.

I. REPORT ON ACTIVITIES AS OF 31 DECEMBER 2004

Having been acknowledged and approved by the Creditors' Committee, the second of the Liquidator's reports on activities for 2004 has been submitted to the debt restructuring judge at the district court of Zurich on 28 February 2005. The report on activities will be available for inspection by creditors at the Liquidator's offices at Seestrasse 39, Goldbach-Center, 8700 Küsnacht until 30 March 2005. Appointments must be made in advance with Ch. Rysler, telephone +41 43 222 38 00.

The following is a summary of the content of the report on activities.

II. OVERVIEW OF THE LIQUIDATION PROCESS

1. Activities of the Liquidator

Creditors were informed of the most important aspects of work on the liquidation of assets in Circulars no. 2 and 3.

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The liquidator's activities in recent months have concentrated on the process of selling Avireal AG. Thanks to the fact that there were several potential buyers, it was possible to hold an auction. This process ultimately led to the conclusion of a purchase agreement with Burgring Immobilien AG in January 2005. The purchase price for the shares, the "Avireal" brand and the loans from SAirGroup and SAirLines amounts to around CHF 262 million. The transaction still has to be approved by the Creditors' Committees of SAirLines and SAirGroup. The sale can then be completed.

2. Activities of the Creditors' Committee

The Creditors' Committee held a total of five meetings during 2004. At its meetings, the Creditors' Committee discussed the various applications submitted by the Liquidator and passed resolutions accordingly.

In order to optimize the preparation for the decision making process, the Creditors' Committee established several Subcommittees for important issues such as the pursuit of responsibility and Pauliana claims, the sale of property, or the establishment of the schedule of claims. There is a close cooperation between these Subcommittees and the Liquidator.

III. REALIZATION OF ASSETS

1. General

During the period under review, the Liquidator pressed ahead with the collection of outstanding accounts receivable in Switzerland and abroad. An amount of around CHF 25 million could be collected.

2. CLAIMS AGAINST FLIGHTLEASE HOLDINGS (GUERNSEY) LTD.

Flightlease AG owns all of the share capital of Flightlease Holdings (Guernsey) Ltd. ("FLHG"). FLHG was founded on 10 March 1998, its purpose being the tax-efficient purchase, financing and leasing of aircraft for Swissair Swiss Air Transport Company Ltd. ("Swissair") and third-party airlines, as well as the acquisition of participations in other companies in the aviation business. FLHG went on to establish several wholly-owned subsidiaries. The majority of these subsidiaries are also domiciled in Guernsey. They were set up as "special purpose entities" to

handle individual aircraft transactions. The financial situation of the individual companies in the Flightlease Guernsey Group deteriorated following the granting of a debt restructuring moratorium to Flightlease AG and Swissair. FLHG and the Group as a whole have been overindebted for quite some time. At the end of November 2003, FLHG was overindebted with USD 575 million. FLHG and several of its subsidiaries are in liquidation since the end of January 2004. SAirGroup has claims against FLHG in the amount of USD 128,995,104, originating from outstanding loans and interest.

Flightlease AG also owns all of the share capital of Flightlease (Ireland) Ltd. ("FL Ireland"). FL Ireland was founded on 21 November 1997, also in order to handle aircraft leasing transactions in a tax-efficient manner. FL Ireland is party to a number of leasing transactions with airlines based in EU Member States which would levy withholding taxes on leasing transactions with Guernsey companies. The financial situation of FL Ireland also deteriorated after the debt restructuring moratorium was granted to Flightlease AG and Swissair, such that FL Ireland was overindebted with USD 275 million at the end of 2003. SAirGroup has no claims against FL Ireland. However, FL Ireland is important because Flightlease Guernsey companies, specifically FLHG, are creditors of FL Ireland.

In addition to SAirGroup, SAirGroup Finance (NL) BV ("FinBV") is the other major unsecured FLHG creditor, with claims of around USD 208 million. Secured Flightlease Guernsey Group creditors, whose claims were secured to a certain extent by security assignments of rights from leasing agreements, rights of lien over aircraft, or by some other means, and for which FLHG is liable as a guarantor, include banks, export risk guarantee agencies and aircraft owners.

Negotiations between secured and unsecured creditors about the proper liquidation of FLHG and its subsidiaries began in May 2002. The objective was to prevent individual companies being declared insolvent one by one in an uncoordinated manner, resulting in a situation which would have led to losses in value. As part of these negotiations, agreement was reached with each individual secured creditor about the unsecured part of their claims. This made it necessary to determine the creditable value of the aircraft encumbered to their benefit or held by

them, as well as their individual claims from the leasing and financing agreements.

A solution for the amicable liquidation of the Flightlease Guernsey Group could be found at the end of 2003, after about a year and a half of negotiations. The global solution that was achieved encompasses two contractual agreements: one relating to the Flightlease Guernsey Group – the Guernsey Deed – and the other relating to FL Ireland – the Ireland Deed.

Both deeds essentially contain the following provisions:

- A basic moratorium on the enforcement of creditor claims, with the exception of claims for which securities exist;
- The rapid instigation of the liquidation of FLHG and its subsidiaries, as well as of FL Ireland;
- The appointment of a creditors' committee for FLHG, comprising one representative each from FinBV and SAirGroup;
- The grant of limited immunity to the management of the Flightlease Guernsey Group companies concerned and of FL Ireland;
- The waiver by all of the Flightlease Guernsey Group companies concerned of all rights to aircraft not in their ownership;
- Assessment of the amount of unsecured claims against FLHG of the individual creditors concerned;
- A special distribution mechanism for the liquidation dividend of FL Ireland, referred to as "Aircraft by Aircraft Distribution".

SAirGroup's dividend on its USD 128,995,104 in recognised claims against FLHG will be approximately 20%.

The Creditors' Committees of Flightlease AG and SAirGroup have approved the two agreements concerning the Flightlease Guernsey Group and FL Ireland. Liquidation proceedings have since been instigated in Guernsey and Ireland and are now well advanced. In the case of FLHG, its creditors will soon receive an initial payment on account of 7.5%.

3. SETTLEMENT OF RECIPROCAL CLAIMS INVOLVING MINDPEARL AG

Mindpearl AG (formerly the Qualifyer Customer Care Center) was a wholly-owned subsidiary of SAirLines. It operates international call centres for flight reservations. Following the collapse of the Swissair Group in October 2001, SAirLines sold its participation in Mindpearl AG to Crossair AG für europäischen Regionalluftverkehr ("Crossair"), now Swiss International Airlines Ltd., with the approval of the administrators and the debt restructuring judge. SAirGroup also sold its loan claims against Mindpearl AG, including interest, to Crossair – again with the approval of the administrator and the debt restructuring judge. SAirGroup's accounts receivable against Mindpearl AG were not settled in the context of these sales. They amounted to CHF 2.2 million. With a series of reminders, SAirGroup attempted without success to recover the outstanding claims against Mindpearl AG. For its part, Mindpearl AG disputed all of the claims and refused payment.

In January 2004, Mindpearl AG transferred EUR 1 million to SAirGroup by mistake. It immediately demanded that the sum be repaid. SAirGroup refused repayment on the grounds of its outstanding accounts receivable. In negotiations, the parties reached the following agreement with regard to the outstanding SAirGroup accounts receivable:

- Mindpearl AG recognises accounts receivable, owed to SAirGroup, totalling CHF 852,627.05 (EUR 492,988).
- Of the EUR 1 million that was transferred by mistake, SAirGroup undertakes to repay Mindpearl AG EUR 547,012, once it has deducted the recognised accounts receivable.
- Once the agreement has been executed, all of the parties' claims will be deemed to have been set off against each other. The claims registered by Mindpearl AG with SAirGroup will be withdrawn.

The Creditors' Committee approved this agreement, which was subsequently executed.

4. SETTLEMENT OF RECIPROCAL CLAIMS INVOLVING CARGOLOGIC AG

Cargologic AG is a company offering ground handling for freight. Cargologic AG originally belonged to S Air Logistics AG. It became a

subsidiary of SAirLines in the context of the restructuring of 2000/2001 and the merger of S Air Logistics AG with SAirLines in mid-2001. On 8 October 2001, the debt restructuring judge at the district court of Bülach granted Cargologic a provisional debt restructuring moratorium. This was followed by the granting of a definitive debt restructuring moratorium on 5 December 2001. While the debt restructuring moratorium was still in effect, Cargologic AG could be sold to RHENUS Alpina AG in the spring of 2002. The new owner undertook to restructure Cargologic AG. The debt restructuring judge at the district court of Bülach subsequently cancelled Cargologic's debt restructuring moratorium in a ruling dated 8 May 2002.

SAirGroup enforced claims totalling CHF 3,143,067.20 against Cargologic AG. These were claims arising from wage and salary statements between July and December 2001 (CHF 2,114,650.90), the Management and Administrative Service Agreement dated June 1998 (CHF 385,629), contributions to the costs of the HR service in Geneva (CHF 46,000), contributions to the costs of HR-express (CHF 58,554), contributions to the costs of the staff restaurants in Zurich and Geneva (CHF 492,000) and smaller claims in a variety of categories (CHF 46,233.30). For its part, Cargologic AG disputed some of the SAirGroup claims and asserted counter-claims against SAirGroup which totalled CHF 3,150,809.95. Cargologic AG's claims comprise the following items: Value-added tax bill for Q4 2001 and Q1 2002 (CHF 323,853), claims from undeducted AHV contributions and source taxes (CHF 234,735.85) and claims for damages on the grounds of poor fulfilment of the management agreement and the cash pool loss (CHF 2,592,221.10).

A settlement was finally concluded after intensive negotiations. Cargologic AG undertakes to pay a balance of CHF 1,576,147 to SAirGroup to cover all of the latter's claims, and to withdraw the total CHF 2,826,956.95 in claims that it had registered with SAirGroup. The Creditors' Committee approved this settlement, which was subsequently executed.

IV. ASSET STATUS OF SAIRGROUP AS OF 31 DECEMBER 2004**1. Introductory remark**

In the Appendix, you will find a report on the liquidation status of SAirGroup as of 31 December 2004. This status reflects the assets of SAirGroup in debt restructuring liquidation as of 31 December 2004, according to present knowledge.

2. Assets

Open apportionment of proceeds from the sale of Swissport, Restorama, RailGourmet, Gate Gourmet and Nuance: It was not possible in 2004 to apportion the proceeds of the sales of the Swissport Group, Restorama AG, RailGourmet, the Gate Gourmet Group, SR Technics Switzerland and the Nuance Group. The complexities have largely been resolved, however, and this should make it possible to deal with these outstanding issues during the current year.

Open apportionment of costs incurred during the debt restructuring moratorium and debt restructuring liquidation for Swissair, SAirLines, T Group and SAir Services Invest AG: There has been a year-on-year change in this item of CHF 0.6 million in favour of SAirGroup. In 2004, as in the past, SAirGroup bore costs from which other Swissair companies benefited. These costs have not yet been apportioned to the companies concerned, although the principles on which this will be done have been drawn up. It can thus be expected that this outstanding item will be dealt with in the course of the current year.

As-yet unrealised assets: The assets that have not been realised still consist, in the main, of claims against former companies of the Swissair Group, participations held by SAirGroup, residual IT equipment and office furnishings, Swiss and foreign real estate (insofar as this is owned by SAirGroup) and securities. Moreover, intangible assets, such as the "Swissair" brand name, and potential responsibility and Pauliana claims are carried pro memoria.

3. Debts of the estate

Accounts payable: The accounts payable reported as of 31 December 2004 relate to costs incurred during the debt restructuring liquidation.

4. Creditors' claims

The assessment of registered claims as part of the work to draw up the schedule of claims has not yet been completed. The liquidation status report as of 31 December 2004 therefore once again states the sum of the claims filed by the creditors in each class, as well as whether or not these claims have been accepted or contested by SAirGroup. There have been only a few changes compared to the status as of 31 December 2003, a brief explanation of which is given below.

Claims secured by rights of lien: The USD deposit – worth CHF 29,101,432 as of 31 December 2003 – that was pledged to UBS Ltd matured during 2004 and was used by UBS Ltd. to reduce the loan of CHF 34,868,305 that was secured by rights of lien. As a result, no claims secured by rights of lien are shown as of 31 December 2004.

Third-class claims: A number of registered claims have been adjusted as part of the process of drawing up the schedule of claims. This ultimately leaves registered claims of CHF 47,072,417,718. Of this figure, the company has recognised CHF 9,166,586,895.

5. Estimated dividend

No reliable estimate of the probable dividend for holders of third-class claims can be made until the registered claims have been assessed as part of the process of drawing up the schedule of claims. The range lies between 2.7 % and 15.9 %.

V. PLANNED NEXT STEPS IN THE PROCESS

Investigations are currently underway into whether actions of SAirGroup prior to the grant of the provisional debt restructuring moratorium can be contested. Creditors will be informed of the findings of these investigations in another Circular in late March/early April 2005.

The pursuing of the responsibility claims against members of the management and the board of directors as well as the auditors of SAirGroup is still being prepared intensively. The creditors are being updated on the respective results on a regular basis.

The schedule of claims should be drawn up by mid-2005 and then presented to the Creditors' Committee for approval. The schedule of

claims will not be made available for inspection to creditors before the end of 2005.

Further information for creditors, again in the form of a Circular, is planned for the autumn of 2005.

Yours sincerely

SAirGroup in debt restructuring liquidation

The Liquidator

Karl Wüthrich

Encs: Liquidation status of SAirGroup in debt restructuring liquidation, as of
31 December 2004

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in debt restructuring liquidation**

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LIQUIDATION STATUS as of 31 December 2004

| | 31.12.04 CHF | 31.12.03 CHF | Change CHF | Remarks |
|---|-------------------------------|-------------------------------|-----------------------------|----------------|
| ASSETS | | | | |
| Liquid funds | | | | |
| Cash | 0 | 7'121 | -7'121 | |
| UBS AG CHF | 161'656'059 | 1'117'805'682 | -956'149'623 | |
| UBS AG USD | 18'153'298 | 9'421'451 | 8'731'847 | |
| UBS AG EUR | 823'252 | 109'324 | 713'928 | |
| CREDIT SUISSE CHF | 3'118 | 0 | 3'118 | |
| ZKB CHF | 685'190 | 415'833 | 269'357 | |
| Cash deposits, UBS Ltd, CS, ZKB | 990'000'000 | 0 | 990'000'000 | |
| Etude Mottu & Van Berchem (proceeds of Foyer sale) | 0 | 8'438'944 | -8'438'944 | |
| Total liquid funds | 1'171'320'917 | 1'136'198'355 | 35'122'562 | |
| Liquidation positions | | | | |
| Accounts receivable | 1'132'661 | 17'530'804 | -16'398'143 | |
| Advance on legal costs | 884'600 | 0 | 884'600 | |
| Open apportionment of proceeds on sale of Swissport, Restorama, RailGourmet, and Nuance | 70'000'000 | 70'000'000 | 0 | |
| Open apportionment of costs relating to Swissair, SAirLines, T Group and SAir Services Invest AG accrued during debt restructuring moratorium | 9'600'000 | 9'000'000 | 600'000 | |
| UBS AG USD deposit | 0 | 29'101'432 | -29'101'432 | pledged |
| Receivables from third parties | 209'413'462 | 219'796'097 | -10'382'635 | |
| Real estate | 102'478'924 | 102'478'924 | 0 | |
| Furniture, fittings, aircraft | 3 | 6'000'005 | -6'000'002 | |
| Shareholdings, securities | 292'513 | 280'013 | 12'500 | |
| Responsibility claims | p.m. | p.m. | | |
| Pauliana claims | p.m. | p.m. | | |
| Total liquidation positions | 393'802'163 | 454'187'275 | -60'385'112 | |
| TOTAL ASSETS | 1'565'123'080 | 1'590'385'630 | -25'262'550 | |
| LIABILITIES | | | | |
| Debts of the estate | | | | |
| Accounts payable | 927'036 | 8'384'387 | -7'457'351 | |
| Provisions for liquidation costs | 10'000'000 | 10'000'000 | 0 | |
| Total debts of the estate | 10'927'036 | 18'384'387 | -7'457'351 | |
| TOTAL DISPOSABLE ASSETS | 1'554'196'044 | 1'572'001'243 | -17'805'199 | |

CREDITORS' CLAIMS

| Category | Registered | by SAirGroup | | Dividend | |
|--------------------------------|-----------------------|-----------------------|----------------------|----------|---------|
| | | contested | recognised | min. | max. |
| Secured by right of lien | - | - | - | | |
| First class | 191'587'505 | 91'617'452 | 99'970'053 | 100.00% | 100.00% |
| First class, Swissair emp. | 93'466'560 | 93'466'560 | - | | |
| Second class | 986'148 | 105'136 | 881'012 | 100.00% | 100.00% |
| Third class | 47'072'417'718 | 37'905'830'823 | 9'166'586'895 | 2.70% | 15.90% |
| Total creditors' claims | 47'358'457'931 | 38'091'019'971 | 9'267'437'960 | | |