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**Unofficial Translation
of German Original**

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

Küsnacht, April 2005 WuK/fee

**Swissair Swiss Air Transport Company Ltd in debt restructuring
liquidation;
Circular no. 4**

Ladies and Gentlemen,

This Circular provides information on the status of the Swissair Swiss Air Transport Company Ltd ("Swissair") debt restructuring proceedings up until 31 December 2004, as well as on the next steps planned in the debt restructuring liquidation process 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 Bülach on 8 March 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 25 April 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.

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II. OVERVIEW OF THE LIQUIDATION PROCESS

1. Activities of the Liquidator

1.1 General

The activities of the Liquidator and Deputy Liquidator in recent months have concentrated on the process of selling real estate property abroad. The sale of the property in Dar es Salaam was completed. Part of the sale of condominium units in the building at 846 Santa Fé Ave in Buenos Aires was also completed. The remaining transactions will be completed in the course of the next few months.

1.2 Payment of the privileged claims of former employees settled by the debt restructuring agreement

Of the former Swissair employees who received an offer for the settlement of their registered privileged claims pursuant to section 4 of the debt restructuring agreement, an additional 63 accepted the offer in 2004. In the case of 66 former employees, statements could be prepared in 2004 and payments were made. As per 31 December 2004, 14 statements were still outstanding. A total of CHF 1,731,688.86 net was paid out to 64 former employees in 2004. In the case of the remaining two employees, the statement balance worked out at a total of CHF 71,823.15 in favour of Swissair as Swissair had counterclaims based on various legal grounds (loans, advances on expenses, etc.). The statement balance in favour of Swissair has been invoiced to each of the employees concerned. The two employees have in the meantime met their obligations arising from these statements.

In connection with the statements, Swissair also paid out additional sums to the pension fund (CHF 3,812), to the AHV/ALV equalisation funds (CHF 173,533.78), to the withholding tax authorities of the canton of Zurich (CHF 5,604) and to various third parties (CHF 200,000). Total payments for the year 2004 thus amount to CHF 2,165,388.46.

The status of settlements pertinent to section 4 of the debt restructuring agreement as at 31 December 2004 is the following:

- Total number of employees whose privileged claims have been settled	5,100
- Number of cases not yet settled	14

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- Payments to employees	CHF 100,182,503.17
- Payments to pension fund	CHF 140,197.00
- Payments to social insurance funds	CHF 6,631,658,20
- Withholding taxes	CHF 1,588,421.67
- Payments to third parties	CHF 495,944.70
- <u>Payments still outstanding (assignments)</u>	<u>CHF 6,454,207.33</u>
Total settlements	CHF 115,492,932.07
- Future payments (estimated)	CHF 100,000.00

2. Activities of the Creditors' Committee

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

III. REALIZATION OF ASSETS

1. General

Creditors were informed in Circulars no. 2 and 3 of the most important transactions in connection with the liquidation of assets. Furthermore, in the course of 2004, the Liquidator pressed ahead with the collection of outstanding accounts receivable arising from flight operations and loan claims in Switzerland and abroad. Operating equipment was also sold.

2. BORDEAUX WINE STOCKS; CLAIMS ENTERED BY MÖVENPICK WEINE AG

Prior to the commencement of debt restructuring proceedings against Swissair, Swissair and Mövenpick Weine AG, formerly Cave Mövenpick AG, ("Mövenpick") maintained business relations in connection with the purchasing and management of wines served on the aircraft. Based on a written agreement, Mövenpick took over all key wine buying and wine logistics tasks for Swissair with effect from 1 September 1999. Purchase agreements for the wine were concluded between Mövenpick and the wine supplier. Mövenpick paid the supplier for the wine bought in and invoiced Gate Gourmet on an ongoing basis for the wine taken up by it and also billed Swissair periodically for expenses directly chargeable to it

(e.g. storage, personnel and logistics costs) plus commission. Mövenpick undertook to store the wine after payment until such time as Swissair requested delivery. Upon termination of the agreement, Swissair was under obligation to purchase at cost price any wine bought in by Mövenpick and not yet taken up by Swissair. Prior to the debt restructuring moratorium, Swissair paid Mövenpick CHF 1,499,127.00 for the Bordeaux wines bought in.

Under the Swissair debt restructuring proceedings, Mövenpick filed outstanding claims totalling CHF 5,772,388.70 for wine deliveries either planned or made. On grounds of possible corporate liability, the same claims were also registered against SAirLines, SAirGroup, Flightlease AG, Swisscargo AG and Cargologic AG. For its part, Swissair demanded that Mövenpick surrender the Bordeaux wines paid for by Swissair. When the debt restructuring moratorium was granted, these wines were being stored in a warehouse in Bordeaux managed by Mövenpick. Mövenpick subsequently refused to surrender the wine, initially citing non-ownership on the part of Swissair, later citing the existence of contractual and in rem retention rights to secure the outstanding claims registered. On 19 November 2003, Mövenpick initiated proceedings against Swissair for the enforcement of secured claims to satisfy a claim in the amount of CHF 1,687,469.85. In response, Swissair filed an objection.

In the course of negotiations, the following agreement was reached on the settlement of reciprocal claims:

- Swissair definitely renounces its demand that the Bordeaux wines be delivered.
- In return, 30 days after entry into force of the agreement, Mövenpick is to pay Swissair the sum of CHF 350,000 and at the same time withdraw all claims registered under the debt restructuring proceedings against Swissair, SAirLines, SAirGroup, Flightlease AG, Swisscargo AG and Cargologic AG.

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

IV. ASSET STATUS OF SWISSAIR AS OF 31 DECEMBER 04

1. Introductory remark

In the Appendix, you will find a report on the liquidation status of Swissair as of 31 December 2004, containing a statement of the assets of Swissair in debt restructuring liquidation as of that date, according to present knowledge.

2. Assets

As-yet unrealised assets: These consist, in the main, of bank deposits abroad which are still frozen, outstanding accounts receivable arising from flight operations, claims against former companies of the Swissair Group, participations held by Swissair and foreign real estate, as far as owned by Swissair. Moreover, any responsibility and avoidance 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.

Provision for outstanding statements: The statement on the loans from the Swiss Confederation could not be finalised in 2004. A great deal of progress has already been made. It should be possible to present the final statement within the next few months to the Creditors' Committee for approval. In 2004, negotiations were conducted with Swisscargo AG in debt restructuring liquidation in 2004 on the settlement of reciprocal claims. The chances of reaching agreement shortly are good. In contrast, the negotiations held in 2004 with Swiss International Air Lines AG on the settlement of outstanding payments reached stagnation and are to be resumed in the near future. It still remains open as to whether agreement can be reached. Provisions of CHF 100 million for these payments remain unchanged and continue to be shown in the liquidation status report as of 31 December 2004.

4. Creditors' claims

The assessment of registered claims as part of the process of drawing 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 Swissair. There have been only a few changes compared with the status as of 31 December 2003, a brief explanation of which is given below.

First-class claims: Following the further settlement of registered privileged claims under the debt restructuring agreement (see section II.1.2 above) as well as additional claims registered, first-class claims registered by 1,353 creditors totalled CHF 281,542,588 as at 31 December 2004. The company has, however, recognised only CHF 36,842,566.

Second-class claims: As at 31 December 2004, 12 creditors had registered claims totalling CHF 1,305,504. Of this figure, the company has recognised CHF 524,060. The total sum claimed has risen substantially following a new claim registered in August 2004 by the *Ausgleichskasse Zürcher Arbeitgeber* (Zurich Employers Equalization Fund) for CHF 697,642.75.

Third-class claims: A number of registered claims have been settled as part of the work to draw up the schedule of claims. This ultimately leaves registered claims of CHF 31,215,106,441. Of this figure, the company has recognised CHF 4,502,947,644.

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 settled as part of the process of drawing up the schedule of claims. The range lies between 0.4% and 8%.

V. PLANNED NEXT STEPS IN THE PROCESS

Investigations are currently underway into whether actions of Swissair 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 May 2005.

The enforcement of responsibility claims against the members of the management and the board of directors is still being prepared. Creditors will be kept updated.

The schedule of claims should be drawn up by mid-2005 and then presented to the Creditors' Committee for approval. It will therefore not be possible to make the schedule of claims 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

Swissair Swiss Air Transport Company Ltd in debt restructuring liquidation

The Liquidator

Karl Wüthrich

Encs: Liquidation status of Swissair Swiss Air Transport Company Ltd in debt restructuring liquidation, as of 31 December 2004

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Swissair Swiss Air Transport Company Ltd. in debt restructuring liquidation

LIQUIDATION STATUS AS OF 31 DECEMBER 2004

	31.12.2004 CHF	31.12.2003 CHF	Change CHF
ASSETS			
Liquid funds			
Postal cheque Switzerland	26'745	1'664	25'080
Banks Switzerland	189'115'012	187'362'577	1'752'435
Fixed-term deposits	184'800'000	190'760'000	-5'960'000
Total liquid funds	373'941'757	378'124'241	-4'182'485
Liquidation positions			
Banks/cash abroad	4'311'710	4'592'185	-280'475
Accounts receivable by the estate	822'525	846'089	-23'564
Receivables from third parties	128'327'922	134'756'184	-6'428'262
Claims from proceeds of sale of operating equipment	2'796'674	2'796'674	0
Real estate	p.m.	p.m.	
Participations	8'000'001	8'000'001	0
Responsibility claims	p.m.	p.m.	
Pauliana claims	p.m.	p.m.	
Total liquidation positions	144'258'832	150'991'133	-6'732'301
TOTAL ASSETS	518'200'589	529'115'374	-10'914'786
LIABILITIES			
Debts of the estate			
Accounts payable to the estate	310'476	341'809	-31'333
Provisions for liquidation costs	19'785'495	27'150'304	-7'364'809
Provisions for outstanding statements	100'000'000	100'000'000	0
Total debts of the estate	120'095'971	127'492'113	-7'396'142
TOTAL DISPOSABLE ASSETS	398'104'618	401'623'261	-3'518'643

CREDITIORS' CLAIMS

Category	Registered	by Swissair		Dividend	
		contested	recognised	min.	max.
Secured by right of lien	23'092'498	23'092'498	0	100.0%	
First class	281'542'588	244'700'022	36'842'566	100.0%	100.0%
Second class	1'305'504	781'444	524'060	100.0%	100.0%
Third class	31'215'106'441	26'712'158'797	4'502'947'644	0.4%	8.0%
Total creditors' claims	31'521'047'031	26'980'732'761	4'540'314'270		