

To the creditors and the debt
restructuring judge of Flightlease AG

Küsnacht, 11 November 2002 Wü/cb

Ladies and Gentlemen

Dear Judge

Administrator's interim report

A further interim report of my activities is given below. This report concerns the progress of debt restructuring proceedings since the creditors' meeting on 27 June 2002.

1. GENERAL

1.1 Status of voting on the debt restructuring agreement

Since the decision of the district court of Zurich regarding the expansion of the Creditors' Committee, I have received declarations of assent from a number of different foreign financial institutions. As at the time of writing, more than 70% of the creditors have approved the proposed debt restructuring agreement. Investigations are still ongoing into whether or not sufficient approval has been granted in terms of the sum of claims that carry voting rights. In respect of the claims that are recognised by the company, however, the proportion of those which have voted in favour is over 90%. If the claims that are disputed by the company are also taken into account, however, the legal quorum is not reached. Consequently, I am currently assessing the right to vote attached to each individual claim. These assessments require the examination of complex circumstances. Only when

this process has been completed will I be able to announce the result of the ballot process.

In connection with the ballot, I should like at this point to draw your attention to the fact that creditors who have not yet agreed to the debt restructuring agreement may still do so up to the date of the court hearing on the ratification of the debt restructuring agreement. Declarations of assent may be submitted to me.

1.2 Registration of claims by staff of Swissair Swiss Air Transport Company Ltd

In a letter dated 6 September 2002, the legal representative of the Swissair pilots registered additional privileged claims with Flightlease AG on behalf of approximately 1,100 pilots. These privileged claims amount to some CHF 1.35 billion. The pilots had previously lodged the same claims against their employer, Swissair. The pilots are claiming five years' salary plus an additional year's pay as a severance settlement, claims for children's allowances and social insurance contributions (also for five years) and losses arising from shareholdings. To date, they have not set off against these claims the salary received from their employment by Swiss International Air Lines Ltd (referred to below as "Swiss") or by another employer. The pilots are claiming that the Swissair Group should be treated as a single employer, which is why their claims can be lodged against all companies under debt restructuring moratorium. Other Swissair employees have followed the pilots' example and have also registered their privileged claims with all of the companies under debt restructuring moratorium.

If these additional privileged claims against Flightlease AG were to be admitted, it would be impossible to secure them at present because the available assets are insufficient. The conclusion of the debt restructuring agreement would thus be jeopardised.

On 17 October 2002, I submitted a proposal to the employees' associations concerning the settlement of the privileged claims against Swissair. The guiding principle of this proposal is that the former members of staff should not be placed in a better position by the compulsory winding-up or liquidation of Swissair than they would have been in had the company been rescued through financial restructuring. Under the terms of the proposal, the

privileged claims lodged by staff not employed by Swiss would be recognised as follows: Salary during the notice period less any salary earned from a new job, contractual severance pay or claims as per a severance plan, plus other contractually owed claims until the end of the notice period. Those employees who have moved to Swiss would be treated as though their employment relationship with Swissair had been continued. At Swiss, these staff generally perform the same work at the same workplace. Under the terms of the proposal, the privileged claims made by these staff would be recognised as follows: Any difference in salary between the old employment contract with Swissair and the new employment contract with Swiss for the duration of the notice period provided for in the employment contract with Swissair, plus any other contractual claims owed until the date of transfer to Swiss. No severance pay or claims under a severance package would be recognised. Privileged salary claims would be paid out within 60 days of the entry into force of the debt restructuring agreement. The employees would waive any further privileged claims against all companies within the Swissair Group, specifically those against Flightlease AG. My proposal is subject to the conclusion of a debt restructuring agreement for Swissair. This in turn is conditional upon the agreement of the majority of employees to my proposal, the support of a qualified majority of all creditors for the debt restructuring agreement and the latter's ratification by the debt restructuring judge.

The proposal is supported by the employees' associations. Each Swissair employee will receive a written offer for the settlement of his or her registered privileged claims by the end of November 2002. Should the employees accept the offer in sufficient numbers, the situation would be solved for Flightlease AG with regard to the newly registered privileged claims.

2. NEXT STEPS WITH THE DEBT RESTRUCTURING MORATORIUM

I am currently drafting the report to the debt restructuring judge. The primary subject of this report is a statement regarding the claims that are disputed by the company. The task here is to assess the extent to which these disputed claims are entitled to the right to vote in the ballot on the debt restructuring agreement.

I will submit the report to the debt restructuring judge as soon as possible. The debt restructuring judge will subsequently set the date for the hearing about the ratification of the debt restructuring agreement. I expect that the decision on whether or not the proposed debt restructuring agreement with the assignment of assets will be concluded will be made in early 2003.

3. INFORMATION TO CREDITORS

The creditors will continue to receive continuously updated information on proceedings via reports published on my website.

Yours sincerely

Administrator

Karl Wüthrich