

Notice from the administrator of the Swissair Group to creditors and the media

Administrator submits proposal to staff representatives – successful start to sale of inflight materials - next weekly report scheduled for 15 November 2002

Küsnacht-Zurich, 23 October 2002. The planned talks between the administrator of the Swissair Group, Karl Wüthrich of Wenger Plattner, and representatives of the various employee groups of Swissair Swiss Air Transport Company Ltd took place on 17 October 2002. The meeting was instigated by the administrator after it became clear that a consensus solution with the staff to reduce their registered privileged claims was the only means of creating the right conditions for a liquidation settlement with the surrender of assets for Swissair Swiss Air Transport Company Ltd ("Swissair") and potentially also for the SAirGroup, SAirLines and Flightlease. Creditors have asserted privileged claims of approximately CHF 2.4 billion against Swissair, as well as third-class claims amounting to around CHF 33.8 billion. By contrast, the assets of Swissair are estimated to be of the order of CHF 400 million.

The guiding principle of the proposal presented by the administrator is that former staff should not be left better off by the bankruptcy or liquidation of assets of Swissair than they would have been had the company been rescued. The application of this principle would initially mean that the pilots and flight attendants would soon have the part of the salary owed to them from the winter 2001/2002 flight schedule paid out from the remaining assets. Under the terms of the proposal, the privileged claims made by dismissed staff 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 severance plan, and other contractual claims owed up to the end of the notice period. The staff who have moved to Swiss International Air Lines Ltd ("Swiss") will be treated as though their employment relationship with Swissair had been continued. At Swiss, these staff perform the same work at the same workplace. Under the terms of the proposal, the privileged claims made by these staff would thus 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 other contractual claims owed until the date of transfer to Swiss. No severance pay or claims under a severance package will be recognised. Privileged salary claims would be paid out within 60 days of the entry into force of the liquidation settlement, and the employees would waive any further privileged claims against all companies within the Swissair Group. The administrator's proposal is subject to the conclusion of a liquidation settlement for Swissair. This in turn is conditional upon the agreement of the majority of employees to the administrator's proposal, the support of a qualified majority of all creditors for the liquidation settlement, as well as its ratification by the debt restructuring judge.

In the administrator's view, his proposal has the advantage that no extended legal proceedings would be required to settle the privileged claims, payments could be made quickly to former staff and a minimum dividend could be guaranteed for third-class claims. This would allow liquidation proceedings to go ahead, thereby realising a greater income from remaining assets – especially those abroad – than would be possible under insolvency proceedings.

The administrator has asked the employees' representatives to respond to his proposal by 31 October 2002. It is planned that the employees will receive a written offer towards the end of November 2002. If employee support for the administrator's proposal is insufficient, the bankruptcy of Swissair will be inevitable.

Successful start to sale of inflight materials

The sale of Swissair inflight materials by the Kurt Hoss company (Website: www.hossliquidator.ch) began on 17 October 2002 at Grindelstrasse 9 in 8303 Bassersdorf. Public attendance and media coverage were overwhelming. Liquidation will last several weeks. The large volumes of goods on sale means that most items will still be available beyond the first week of the sale.

Next Weekly Report scheduled for 15 November 2002

Unless something unforeseen occurs, the next notice to creditors and the media will be issued on Friday, 15 November 2002.

Further information

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