WENGER PLATTNER
BASEL · ZÜRICH · BERN

To the creditors and the debt
restructuring judges in the case of
- SAirGroup
- SAirLines
- Swissair Schweiz. Luftverkehr AG
- Flightlease AG

Küsnacht, 12 March 2002 Wü/cb

Interim report of the administrator

I have received a large number of registrations of claims against the four companies SAirGroup, SAirLines, Swissair Schweizerische Luftverkehr AG (hereinafter "Swissair") and Flightlease AG. This has meant that not all creditors have yet been recorded. I am therefore unable at present to send this interim report to every individual creditor personally. It is now being published at my website www.sachwalter-swissair.ch and will be sent to all creditors later, with the invitation to the creditors' meeting.

Specifically, I have the following interim report to make to you about the progress of the debt-restructuring procedure since 5 October 2001.

I. REVIEW OF THE PROVISIONAL DEBT-RESTRUCTURING MORATORIUM

1. INSTRUCTIONS OF THE PROVISIONAL ADMINISTRATOR

Immediately after my appointment as provisional administrator, on 5 October 2001, I issued various instructions to the managements of the Swissair companies under debt-restructuring moratorium. These informed those with management responsibility on how to safeguard the rights of

creditors during the debt-restructuring moratorium and ensure the preservation of their companies' assets. In particular, I pointed out to managers that movements of assets within the Group were no longer allowed.

2. PROJECT PHOENIX

Project Phoenix was negotiated between SAirGroup and the two major banks, UBS AG and Credit Suisse. As part of the project, the Swiss Federal Council granted Swissair a bridging loan of CHF 450 million to continue flying until the end of the summer timetable on 28 October 2001. This loan enabled Swissair to resume flights on 4 October 2001. One of the conditions of the bridging loan, stipulated in the loan contract, is that Swissair must faithfully undertake to co-operate with Crossair in the transfer of its aviation operations. Especially, Swissair must assign the necessary slots to Crossair without compensation, and must not oppose the allocation of route concessions to Crossair.

On 5 October 2001 I agreed to this loan contract. In my opinion, only recourse to the loan granted by the Swiss Confederation could save Swissair from immediate bankruptcy. The bankruptcy of Swissair, and the associated suspension of flights, would have resulted in a massive loss in value of the assets of Swissair Group. If Swissair had gone bankrupt at that time, it would also very probably have led to the bankruptcy of aviation-related Group companies such as SR Technics, Swissport and Gate Gourmet. Recourse to the federal loan by Swissair was therefore advisable, to preserve the value of the assets of Swissair Group in the interests of creditors.

As Project Phoenix progressed, it emerged that the aim of transferring Swissair's scaled-down flight operations to a new Swiss airline by 28 October 2001 was not going to be feasible. The time available was far too short to realise such a very complex project. During October 2001 the federal "Air Bridge" (Luftbrücke) task force developed Phoenix further, into Project Phoenix+. Under Phoenix+, the Swiss Confederation granted Swissair a further bridging loan of CHF 1 billion to continue reduced medium and long-haul flights until 30 March 2002. By that date, flight operations were to be transferred to the new Swiss airline (Crossair). The

Confederation, the cantons and various Swiss businesses made more than CHF 2 billion of new share capital available to Crossair.

In principle, the further federal bridging loan has been granted on the same terms as the loan of CHF 450 million. To safeguard the rights of the other creditors, a new condition was agreed: that these creditors should be left no worse off by the granting of the two federal loans and Swissair's continued flying after 5 October 2001 than they would have been by immediate institution of bankruptcy proceedings concerning Swissair. This is the criterion which determines how far the federal loan must, or may, be repaid from the income earned by Swissair's flight operations between 5 October 2001 and 30 March 2002. The balance of the loan thereafter is not a preferential debt, payable in advance, but a normal class 3 claim for which any dividend in bankruptcy or debt restructuring will be reserved to the Swiss Confederation on the same basis as for all other creditors.

At the end of October 2001 I gave the following assessment of Project Phoenix+ and the prospects for its implementation:

- The liquid funds made available by the Confederation are only sufficient if the costs of continued flight operations by Swissair are sharply reduced by the end of March 2002 and can be restricted to the bare minimum.
- Only implementing Phoenix+ can prevent the immediate bankruptcy of Swissair and hence the bankruptcy of aviation-related service companies.
- The only possibility of meeting the privileged claims of employees arising from the restructuring of Swissair Group is a successful execution of Phoenix+. Immediate institution of bankruptcy proceedings would not only destroy the value of the assets, but would also result in a sharp increase in the privileged claims of employees. In any case Swissair, and possibly other aviation-related service companies, would be unable to guarantee to meet these claims.
- For the creditors of the Swissair Group companies under provisional debt-restructuring moratorium, realisation of the project will preserve the value of significant assets, so that a better dividend can be obtained.

It can now be assumed that Project Phoenix+ can be implemented, at least as far as Swissair is concerned. The funds provided by the Swiss Confederation will be sufficient for continued flying until the end of March 2002. The

financial aspects cannot finally be assessed yet. As soon as all income and expenditure from the continued flight operations between 5 October 2001 and 30 March 2002 are known, a settlement of accounts between Swissair and the Swiss Confederation will have to be drawn up in accordance with the loan contract.

3. SITUATION AT THE AVIATION-RELATED COMPANIES IN EARLY OCTOBER 2001

Only a few days into my appointment, I had to note the liquidity difficulties of the aviation-related service companies, especially Atraxis AG, Swissport, SR Technics and Gate Gourmet. These companies are absolutely necessary for continued flights. Without the computer systems provided by Atraxis AG, without Swissport's ground handling, without aircraft maintenance by SR Technics and without the Gate Gourmet catering service, Swissair cannot continue flying. These companies' liquidity was therefore constantly monitored. With the help of the Confederation, the airport cantons of Zurich, Basle and Geneva, and the two major banks, UBS AG and Credit Suisse, new funds were channelled into these companies during November 2001 to met their medium-term liquidity requirements. Procedures for the sale of these companies were also introduced or, where applicable, continued.

4. SALE OF ASSETS

4.1 Special instructions

To ensure that the sale of assets during the debt-restructuring moratorium proceeds in an orderly fashion and with the best possible result for creditors, I have issued special instructions and worked to ensure that SAirGroup's organisation is adapted to the new situation. All sale procedures are controlled centrally by an SAirGroup Divestment Committee, on which the administrators are also represented. SAirGroup Management also receives advice from mergers and acquisitions specialists on the sale of associated companies.

Assets should only be sold during the debt-restructuring procedure if this is necessary to maintain value. Whether this is so must be reviewed in each

individual case. In the case of the various aviation-related service companies, an important point in this regard is that it will be very difficult for them to continue trading in a Swissair Group context in the longer term. The business partners of these companies (airports, airlines and suppliers) are worried at the situation which has arisen at Swissair Group and want to know what prospects these companies have for the future. It is therefore advisable to act quickly.

Assets can only be sold with the consent of the competent debt restructuring judges. Accordingly, the method of proceeding has been agreed with the judges.

4.2 Individual businesses

- *LTU:* SAirLines held a 49.9% stake in the German holding company LoMa-Beteiligungsgesellschaft mbH, of Cologne. LoMa in turn holds 100% of the shares in LTU Lufttransport-Unternehmen GmbH, an air transport enterprise, of Düsseldorf. On acquiring its holding in LTU, one of the contractual commitments entered into by Swissair Group was to cover LTU's entire financial risk until the end of 2005. By October 2001, LTU was in a highly critical financial position. Bankruptcy would have been inevitable without comprehensive restructuring and the input of new funds.

  In November 2001, agreement was reached with the other owner of LoMa, REWE-Zentralfinanz, registered in Cologne, on ending Swissair Group's holding in LTU. SAirLines placed its holding in LoMa at REWE's disposal, for the price of EUR 1, to be passed on to a new investor. At the same time, all mutual claims were waived, and comprehensive balance statements were issued. This relieved Swissair Group from its obligations in connection with LTU, apart from its guarantees to third parties concerning lease contracts for LTU's aircraft.

  The debt restructuring judge approved the transaction, which has since been completed. LTU was restructured and continues its flying operations.

- *Mindpearl AG:* Mindpearl AG was a 100 % SAirLines subsidiary. It operates the Qualiflyer Group reservations centres in London, Brisbane, Cape Town, Milan and Barcelona.

  In October 2001 Mindpearl was in debt by more than EUR 18 million. SAirGroup had granted Mindpearl loans amounting to around EUR 21 million. Without rapid restructuring, filing of the balance-sheet and hence the opening of bankruptcy proceedings concerning Mindpearl AG would have been inevitable. SAirGroup would then have had to allow for a total default on its loan.

  SAirLines sold its shares in Mindpearl to Crossair for the price of EUR 1. At the same time, Crossair took over the loan from SAirGroup for the price of EUR 1 million. Later the Mindpearl trademark was transferred to Mindpearl AG in return for reimbursement of the registration costs hitherto incurred.

  The debt restructuring judge approved this transaction, which has since been completed.

- *Rail Gourmet Holding AG and Restorama AG:* even before the events of September 11, and the grounding on 2 October 2001, negotiations had been held between SAirGroup and Compass Group on the sale of Rail Gourmet Holding AG and Restorama AG. These negotiations were pursued until the parties finally reached agreement on the sale of the two companies to Compass Group. A sales contract was signed, and the competent debt restructuring judge approved the transaction in December 2001.

  The transaction has not yet been settled, because not all the approvals required under cartel law have been obtained. It is envisaged that the sale will be completed by the end of March 2002.

II. PROGRESS OF THE DEBT-RESTRUCTURING MORATORIUM SINCE 5 DECEMBER 2001

1. GENERAL

Early in December 2001, the debt restructuring judges at the regional courts of Zurich and Bülach granted SAirGroup, SAirLines, Swissair and

Flightlease AG a six-month debt-restructuring moratorium until 5 June 2002. By the end of May 2002, either the administrators' reports or applications for extension of the moratorium must be submitted to the judges. By law, a six-month extension is normally possible.

The procedure established for the settlement of business during the provisional moratorium was continued after the granting of the definitive debt-restructuring moratorium. In addition, project structures were put in place at all companies for the liquidation stage. It was necessary to ensure retention of the necessary human resources to introduce and implement an orderly liquidation process. Contracts for continued employment of the employees for this purpose had to be concluded as necessary. Had this not been done, the companies under debt-restructuring moratorium would soon have had hardly any staff left. It would then have been necessary to call in external consultants to handle the necessary work, which would have cost significantly more.

2. TAKING THE INVENTORY

The procedures for taking the inventory have been finalised. At Swissair, in particular, account had to be taken of complex relations with branches abroad. An SAirGroup team is taking inventories of furniture, installations, vehicles and properties, in close co-operation with staff of the law firm, Wenger Plattner. External experts will value the assets.

Ernst & Young AG has been called in for the inventorisation and valuation of debtors, Group internal claims, holdings and lease contracts. Payments received at Swissair since 5 October 2001 must be identified as originating from flight operations before or after that date. Such identification is necessary for the settlement to be drawn up with the Swiss Confederation concerning the two federal loans (see heading I.2 above). Differentiating incoming payments for this purpose is the main task facing Ernst & Young AG. The amounts received total several hundred million Swiss francs.

The intention is to complete the inventory in as short a time as possible, so that the status reports as at 5 October 2001 on the companies under debt-restructuring moratorium can be compiled in time for the meetings of creditors.

3. INVITATIONS TO REGISTER DEBTS

The invitations to register debts with all four companies were published in the official organs of publication and in the daily press in Switzerland and abroad on January 9, 2002.

To date, more than 23 000 registrations of claims against the four companies under debt-restructuring moratorium have been received. A specialist project team from Wenger Plattner, numbering more than 20 members, has deployed computer technology to record the claims, so that the best possible computer support is possible for the rest of the procedure. So far around 15 000 claim registrations have been recorded. I expect the work to be finished by the end of April 2002.

For legal reasons, the debtor companies must respond individually to each claim filed. Given the large number of claims filed, this procedure will take some time. The necessary organisational measures have now already been prepared and introduced at all four companies.

4. SALE OF ASSETS

4.1 General

The principles applicable to the sale of assets during the definitive debt-restructuring moratorium are the same as during the provisional moratorium. Please see the explanation given in item I.4.1 above.

4.2 Transactions settled individually

- *Atraxis:* Atraxis's finances were very tight by early October 2001. Only an injection of cash from the federal loan allowed salaries for October to be paid. Nevertheless, initially there was still hope that Atraxis could be sold as a whole. These hopes were to be dashed during the negotiations with interested parties, as it emerged that a rescue of Atraxis would have required well over CHF 100 million to be placed at its disposal, in the short term. None of the potential buyers was willing to provide such funds.

  Finally, in November 2001, a large part of Atraxis' business operation was rescued by a sale of assets to EDS Information Business GmbH.

The solution now found with EDS assured continued functioning of the computer systems necessary for the flight operations of various airlines (Swissair, Crossair, SAA, L.O.T. etc.) and for the operation of several airports in Switzerland and abroad. In addition, Swissair and SAirLines received several million Swiss francs in payment for intangible asset rights sold. EDS re-employed many Atraxis employees. However, the insolvency of Atraxis was inevitable.

- *Swissport Group:* the Board of Directors of SAirGroup had already decided to sell Swissport Group by mid-2001. By 5 October 2001, negotiations with Candover Group were already at an advanced stage. Indeed, the intention had been to conclude a contract of sale by then, though the events of September 11, 2001 interrupted the sale process.

  The events of September 11 and Swissair's situation from 2 October 2001 significantly affected the value of Swissport Group for the worse. The number of flying passengers fell sharply worldwide. In Zurich, this has meant that, for the time being, the Midfield Dock cannot be used, as has been widely reported. These circumstances had a negative impact on the income figures of the Swissport companies. Candover was therefore no longer willing to buy Swissport Group at the price negotiated before September 11[**].

  After long and hard negotiations, in December 2001 agreement was finally reached. Swissport Group was sold to Candover for the price of CHF 580 million, without its debts to Swissair Group companies. The debt restructuring judge approved the sale, and the transaction was finalised at the beginning of February 2002. Rapid completion of the sale to Candover had become necessary to preserve the value of Swissport Group, whose liquidity situation had become very tight.

  The sale price realised is not enough to pay Swissport Group's debts to Swissair Group, which amount to more than CHF 770 million. Negotiations are currently under way on the distribution of the proceeds from the sale between the various Swissair Group companies with a stake in Swissport. If agreement cannot be reached, arbitration proceedings will be necessary to establish the distribution.

[**] Translator's note: presumably 11 not 1 is meant.

- *EHC Kloten Sport AG:* EHC Kloten Sport AG is the company behind the "Kloten Flyers" ice hockey teams, who play in the Swiss National A League and in the Junior Elite. In 1999 SAirGroup took part in a deal to rescue ECH Kloten which, despite winning four championships, was in serious financial difficulties. SAirGroup subscribed to CHF 1 400 000 of the share capital of EHC Kloten Sport AG. Later it also acquired 10 000 voting shares in EHC Kloten AG from the club EHC Kloten.

  In the last two financial years, the accounts of EHC Kloten Sport AG have shown a loss, despite sponsorship from Swissair Group amounting to more than CHF 1 million each year. A loss is also expected for the current financial year.

  The cessation of Swissair Group's sponsorship has left ECH Kloten Sport AG in an uncertain situation. The company was recommended to find a new main sponsor instead of Swissair Group. Negotiations therefore took place with various parties on acquisition of SAirGroup's share package. Finally, two interested parties submitted specific offers. Based on the better offer, SAirGroup's holding in EHC Kloten Sport AG was sold to Mr Peter Bossert, of Bülach, with the consent of the debt restructuring judge.

- *Swissair Lernzentrum:* Swissair Lernzentrum, the corporate learning centre, is a department of Swissair run as a profit centre. It holds language courses for Swissair employees and third parties. It employs 55 full and part-time staff. Swissair was not recommended to continue to operate Swissair Lernzentrum while under debt-restructuring moratorium and in any subsequent liquidation.

  Swissair offered Swissair Lernzentrum to four institutions engaged in the same fields. Only two of the interested parties approached submitted offers. The assets (furniture and installations) of Swissair Lernzentrum were sold to AKAD Holding AG, on the strength of the better offer, with the consent of the debt restructuring judge. AKAD also agreed to employ the 55 Swissair employees.

- *Sale of furniture, vehicles and installations:* the business operations of the companies under debt-restructuring moratorium are being progressively redimensioned. The furniture released and the vehicles which are no longer needed must be saleable to avoid a loss of value and

save storage costs. The debt restructuring judges have therefore authorised the administrator to sell furniture, vehicles and installations up to a price of CHF 50 000 in individual cases. The market prices of the assets must either be estimated by external experts or ascertained by obtaining several offers. For sales amounting to more than CHF 50 000, the consent of the debt restructuring judges must still be obtained.

- *Holding in South African Airways (SAA):* the interest in SAA was held by SAirLines Europe BV, of Holland. SAirLines Europe BV is in turn a 100% subsidiary of SAirLines. When Swissair Group acquired its holding in SAA, it concluded a shareholder commitment contract with SAA's majority shareholder, requiring Swissair Group to sell its holding back to the majority shareholder if certain events occurred, e.g. granting of a debt-restructuring moratorium. After 5 October 2001 the majority shareholder in SAA availed itself of its buy-back right. The value of the holding in SAA held by SAirLines Europe BV was valued by third parties and, on this basis, agreement was reached between the parties.

4.3 Projects pending

At present Swissair Group Management is co-operating with the administrators mainly on preparing the sales of Gate Gourmet, Nuance, SR Technics and Avireal. The sales procedures are being configured to achieve the best possible result for creditors. The projects for Gate Gourmet and Nuance are at an advanced stage. I expect these sales to be concluded and settled in the next few months.

5. THE "SWISSAIR" TRADEMARK

As part of Project Phoenix, SAirGroup allowed Crossair a right of purchase and pre-emption for the "Swissair" trademark. With a view to exercise of the purchase right, the parties agreed to have the trademark valued by experts appointed by both sides. In November 2001, the experts valued the trademark "Swissair" at CHF 660 million. Crossair then waived its right of purchase.

Without further negotiation with SAirGroup to acquire the "Swissair" trademark, Crossair announced at the end of January 2002 that it would in future brand itself under the name "Swiss". It is immediately apparent that,

by this branding, Crossair seeks to profit from Swissair's good image, especially abroad. It may be that the "Swissair" trademark has suffered in Switzerland from the events of 2 October 2002. Abroad, especially in the USA, the grounding of Swissair was noticed much less in the wake of the events of September 11. The "Swissair" mark continues to enjoy a good reputation abroad. The fact that Swissair's intercontinental flights were again very well booked from November 2001 reflects this.

Early in February 2002, SAirGroup informed Crossair that it considered the planned branding an infringement of the "Swissair" trademark. It called upon Crossair to desist from its branding and, at the same time, offered to negotiate a sale of the "Swissair" mark. Crossair did not take up the offer of negotiations.

In this initial situation, SAirGroup Management felt impelled to take action to protect the "Swissair" trademark. They petitioned the competent sole judge at the Zurich Cantonal Commercial Court to ban Crossair from using the designation "Swiss" as part of a provisional measure. The judge rejected SAirGroup's petition. I regret this ruling from the point of view of the creditors. A ban would have served to protect the brand rights of Swissair Group and preserve their value. This would therefore have been in the interest of creditors.

Swissair Group and I will review the legal situation. In my opinion, however, it will only be possible to continue the action if it stands a good chance of preserving the value of the trademarks.

The judge has ruled that a sale of the brand name "Swissair" is still possible. A seriously interested party is engaged in talks with Swissair Group about this.

Finally it should be noted that the issue before the judge was not whether the branding of Crossair AG infringes Swissair Group's trademark rights. It will have to be reviewed, at a later date, whether Swissair Group can assert compensation claims against Crossair AG on these grounds.

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III. STATUS REPORTS AS AT 5 OCTOBER 2001

1. GENERAL

The enclosed provisional status reports (enclosures 1 – 4) are based on what was known at the end of November 2001. They show the estimated values in the event of settlement of a debt-restructuring procedure. If the debt restructuring moratorium had not been granted, bankruptcy proceedings would have had to be opened concerning the four companies in October or December 2001. This would have led to a major loss of value of the assets and, presumably, to much higher claims on the liabilities side.

The values used for the assets are currently being checked. The proceeds obtained so far from the sale of assets are within the framework of the values assigned in the provisional status reports.

The final status reports will be sent to creditors with invitations to the meeting of creditors.

2. EXISTING KNOWLEDGE FROM THE INVITATION TO REGISTER DEBTS

The result of the invitation to register debts can only conclusively be assessed when all claims filed have been recorded. Even so, the following trends can already be discerned:

- The leasing partners have filed very high claims against Flightlease AG and Swissair. These claims include a very high adjustment margin, because at present it cannot finally be ascertained who will use the individual aircraft in future, and on what terms. In this regard the contractual terms which Crossair negotiates with the leasing partners for the 52 aircraft of the Swissair fleet which it wishes to continue to operate will be very important.

- A number of creditors are filing claims against several companies. It will have to be checked what legal grounds exist in each case for such multiple applications.

- The pilots have filed significantly higher claims against Swissair than Management were expecting. An adjustment will have to be made here, too. A debt-restructuring agreement can only be concluded and endorsed by the judge if payment of all privileged claims is assured. Clarification of the situation concerning the claims filed by the pilots is therefore very important.

IV. INVESTIGATION OF RESPONSIBILITY

1. INITIAL SITUATION ON 5 OCTOBER 2001

On the strength of the resolutions of the ordinary general meeting of SAirGroup of 25 April 2001, the competent judge appointed Ernst & Young AG as special auditor, with the assignment of answering the set of questions compiled by the shareholders and approved by the judge. Ernst & Young AG started work in summer 2001. By 5 October 2001 it had already conducted comprehensive inquiries and gathered material. After the granting of the provisional debt-restructuring moratorium, and with a view to possible liquidation proceedings in the context of debt-restructuring or bankruptcy, the question arose whether it made sense to continue the special audit.

In my opinion, the factual position in November 2001 has been assessed as follows:

a) Opening liquidation proceedings in the context of debt-restructuring or bankruptcy significantly alters the legal position. In liquidation as part of debt restructuring or bankruptcy, according to the rulings of the Swiss Federal Supreme Court, the corporate loss corresponds to the loss of all creditors. This loss may only be claimed from the assets in liquidation or bankruptcy, or by the creditors after assignment proceedings in the terms of Article 260 of the Swiss Federal Debt Prosecution and Bankruptcy Statute. The shareholders no longer have a right of action unless creditors' entire losses are covered.

b) The special auditor only has to answer the questions raised in the judicial order. These questions are by nature formulated by shareholders outside the company, without full knowledge of the facts.

c) In debt-restructuring liquidation or bankruptcy proceedings, the liquidator or receiver and the creditors in principle have free access to all corporate records. They therefore have an opportunity from the start to concentrate on the relevant facts to clarify the responsibility of the company's organs.

d) It is therefore impossible to say whether the special audit report based on the resolutions of the general meeting of SAirGroup of 25 April 2001 is really in the interest of creditors. For legal reasons, the set of questions established by the general meeting of SAirGroup and endorsed by the judge cannot be extended. Legally it is questionable, to say the least, whether questions which are no longer relevant at the present stage of the procedure can be deleted.

e) The fear is that, even if the special audit is completed, further costly inquiries may be necessary. Especially, the time between the general meeting and the granting of the provisional debt-restructuring moratorium will be very important. Expensive duplication of effort can hardly be avoided.

f) The findings of Ernst & Young to date can also be used in other proceedings.

2. AGREEMENT WITH THE CONFEDERATION AND THE CANTON OF ZURICH

Based on these considerations, I opened negotiations with the shareholders who introduced the special audit procedure, especially the Swiss Confederation and the Canton of Zurich, for a reasonable refocusing of the investigation of responsibilities in the Swissair case, which also serves the interest of creditors. As a result, the following agreement has been reached:

- The administrator will conduct the investigation of responsibilities in the Swissair case, with the approval of the debt restructuring judge.
- The investigation will concentrate on what was known as the "Hunter Strategy" and its implementation, the information given by the Board of Directors to the 2001 general meeting, the annual accounts for 1999 and 2000, the corporate governance, payment flows for 2001 and the circumstances leading to the suspension of flight operations on 2 October 2001.

- As a basis for the investigation, Ernst & Young is compiling a set of questions adapted to the present situation and knowledge, in co-operation with me and by agreement with the shareholders.
- The Swiss Confederation and the Canton of Zurich are sharing in the costs.

3. PROGRESS OF WORK

The set of questions, mentioned above, has now been referred to the Confederation, the Canton of Zurich and the other shareholders involved in the audit procedure. I presume that an adjustment will be possible in the near future and that the investigation work can then quickly be tackled.

4. PLANNED SEQUENCE OF INVESTIGATION

On the timetable now available, it can be expected that the final report will be available in autumn 2002. It is planned, however, to announce preliminary, interim results at the meetings of creditors.

V. FURTHER PROGRESS OF THE DEBT-RESTRUCTURING MORATORIUM

1. MEETINGS OF CREDITORS AND AGREEMENT ON THE DEBT-RESTRUCTURING AGREEMENTS

The meetings of creditors of SAirGroup and Swissair will be held on 26 June 2002. Those for SAirLines and Flightlease AG will be held on 27 June 2002. The main agenda items of these meetings are reporting by the administrator or administrators and elections of the liquidation organs: the liquidator and the members of the committee of inspection. Invitations to the meetings of creditors will be sent no later than 24 May 2002. The records will be available with the administrator for inspection by creditors from 3 June 2002.

Following the meetings of creditors, a written ballot will take place concerning the debt-restructuring agreements. The vote cannot be held at the meeting of creditors because experience has shown that the statutory quora

for acceptance will not be achieved. These are more than half the creditors with more than two-thirds of voting claims or more than one-quarter of creditors with more than three-quarters of voting claims.

3. ADMINISTRATORS' REPORTS AND JUDICIAL ENDORSEMENT PROCEDURE

Following the meetings of creditors, I will prepare the administrator's reports and submit them to the debt restructuring judges, probably by the end of July 2002. Essentially, the administrators' reports must give information on whether the conditions for approval of the debt restructuring agreement by the judges have been met. For each company it must be assessed whether liquidation in the context of debt restructuring can achieve a better result for creditors than bankruptcy. The administrator must also assess the voting rights of creditors whose claims are wholly or partly disputed by the company. However, the decision on the voting rights of individual creditors rests with the debt restructuring judge.

4. START OF LIQUIDATION

On the timetable described, it should be possible to start liquidation proceedings in the context of debt restructuring or, if a debt restructuring agreement is not reached at a company, liquidation in the context of bankruptcy, in early autumn 2002.

5. SIX-MONTH EXTENSION OF THE DEBT RESTRUCTURING MORATORIA

In view of the described sequence of the debt-restructuring procedure, a six-month extension of the moratoria will be necessary. I will submit applications for extensions to the debt restructuring judges in good time.

6. INFORMATION TO CREDITORS

Creditors will continue to be kept up-to-date on the procedure by reports published at my website. Detailed reporting will take place at the meetings of creditors.

The Administrator

Karl Wüthrich

Enclosures:
1. Provisional status report on SAirGroup as at 5 October 2001
2. Provisional status report on SAirLines as at 5 October 2001
3. Provisional status report on Swissair as at 5 October 2001
4. Provisional status report on Flightlease AG as at 5 October 2001.