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To the creditors of SAirGroup
in debt restructuring liquidation

Küsnacht, December 2004 WuK/fee

SAirGroup in debt restructuring liquidation; Circular no. 3

Ladies and Gentlemen

Shortly before the end of the year, I would take this opportunity to keep you up to date on the progress of the liquidation of SAirGroup.

I. REALISATION OF ASSETS

1. Collection of debts

Over the past few months, outstanding accounts receivable of SAirGroup in the approximate amount of CHF 25 million have been collected. The collection of debts is being pressed ahead with by the Liquidator.

2. Realisation of real estate properties

2.1 Catering building in Geneva

The Swissair Group has for many years used the catering building, COI-105, at Geneva airport. The building has been listed as an asset on SAirGroup's balance sheet. It has now been shown that the legal relationships with regard to this building are unclear. A valid building right agreement was never concluded with the Canton of Geneva, the owner of the land. Accordingly, the land register likewise contains no entry of a right to build in favour of SAirGroup. Despite this, SAirGroup

has compensated the Canton of Geneva in full for the building and paid for all investments in the building.

A solution has now been found with the present tenant of the building, Gate Gourmet Switzerland GmbH (hereinafter "Gate Gourmet"). SAirGroup will assign all of its rights in the catering building to Gate Gourmet for a compensation of CHF 5,800,000. For its part, Gate Gourmet will conclude a building right agreement with the Canton of Geneva, thereby clarifying the legal relationships. The Creditors' Committee has agreed to this transaction. Completion cannot take place until the building right agreement between the Canton of Geneva and Gate Gourmet has been notarized.

2.2 *Condominiums in Buenos Aires, Argentina*

In December 1965, SAirGroup, then still operating under its old firm name Swissair Swiss Air Transport Company Ltd., bought the building at 846 Santa Fé Ave. in Buenos Aires. The building was subsequently divided into independent condominium property. Over time a number of condominiums were sold. When the provisional debt restructuring moratorium was granted to SAirGroup and Swissair Swiss Air Transport Company Ltd. on 5 October 2001 the condominiums on the ground floor and the first, third, fourth and fifth floors were still registered in the name of Swissair Swiss Air Transport Company Ltd. in the land register.

When the organisation of Swissair Group was changed into a holding company structure in 1997, the change in the firm name of SAirGroup from Swissair Swiss Air Transport Company Ltd. to SAirGroup was not executed in the land register in respect of the properties in Buenos Aires. Neither were the properties transferred from SAirGroup to the newly established Swissair Swiss Air Transport Company Ltd. (hereinafter "Swissair"). However, following the reorganisation, the properties in Buenos Aires were listed as assets on Swissair's balance sheet. Swissair used the condominium property on the ground floor and the first floor without paying rent to SAirGroup. Likewise, it collected rent for the condominiums rented out on the third, fourth and fifth floor. Due to these facts, the legal position with regard to the ownership of the condominium property in Buenos Aires is still unclear today. However, in order for the condominium properties to be sold, SAirGroup and Swissair have agreed, for the time being, to deposit the proceeds of the sale into

a joint account in the name of the SAirGroup Liquidator. A decision on how to split the proceeds will then be taken at a later date.

Over the past few months buyers have been found for the condominium property on the ground floor and on the first and fifth floor. The units can be sold as follows:

Condominium property	Purchase price:
Unit No. 1, ground floor	USD 430,000
Unit No. 2, ground floor	USD 92,000
Unit No. 15, first floor	USD 470,000
Unit No. 7, fifth floor	USD 365,000

The SAirGroup and Swissair Creditors' Committees have agreed to the sale transactions. The contracts with the buyers will now be signed. The sales can then be completed.

2.3 *Three houses in Dar-es-Salaam, Tanzania*

Between 1971 and 1983, SAirGroup, then still operating under its old firm name Swissair Swiss Air Transport Company Ltd., acquired building rights for three premises in Dar-es-Salaam from the Tanzanian government. Each of these premises contain a dwelling house. The houses used to be occupied by Swissair staff. They have been vacant for some time.

The ownership structure in relation to the properties in Dar-es-Salaam is also unclear. In this regard I would refer to what has been stated in respect of the properties in Buenos Aires (see 2.2 above). Here too, for the time being the proceeds of the sale will be paid into a joint account in the name of the SAirGroup Liquidator. A decision on how to split the proceeds will then be taken at a later date.

A buyer has been found for the three properties in Dar-es-Salaam. He is prepared to pay TZS 235 million (converted at the current exchange rate equivalent to approx. CHF 285,000).

The sale has been approved by the Creditors' Committees of Swissair and SAirGroup. The sale of the three premises in Dar-es-Salaam is expected to be completed within the next few weeks.

3. Responsibility claims

To clarify potential responsibility claims against members of the management and the board of directors as well as the auditors of SAirGroup, individual transactions that took place between early 1998 and the end of September 2001 will be investigated in depth on the basis of the report of Ernst & Young AG. For each transaction, it will be examined which persons are liable and whether all the criteria for a liability – unlawful and negligent acts, loss or damage and causal connection – are met. The investigation will include inter alia the following matters, which in the opinion of the liquidation bodies – Liquidator and the Creditors' Committee – are relevant for the collapse of the Swissair Group:

- participation in LTU
- participation in Air Littoral
- participation in AOM and Air Liberté
- recapitalization of Sabena in 2001
- reorganizations between late 2000 and mid-2001
- financial statements at 31.12.2000; no notification of over-indebtedness
- payments to foreign airline participations and third parties since spring 2001
- responsibility of the Statutory Auditor and the Group Auditor in the above matters

The claims in question amount to a total of CHF 5 billion. Whether litigation can be initiated for the full amount of these claims is still open.

Draft briefs have already been prepared for the first five matters. It is planned to send these briefs to the responsible persons concerned for comment. The liquidation bodies will then decide whether court actions shall be initiated. Enquiries have not yet been completed regarding the last three subject matters but the final results of the investigations are expected within the next few months.

Creditors will be regularly updated on the further progress of the pursuit of the responsibility claims in the periodic circulars.

4. Pauliana claims

I have already informed you of the filing of a Pauliana action against various KPMG companies in Circular No. 2. Enquiries to date have revealed that, besides the payments to the KPMG companies since early 2001, various other payments, which could satisfy the criteria for lodging a Pauliana claim under the Swiss Debt Collection and Bankruptcy Act, have been made to third parties.

Payments made to Deutsche Bank AG in connection with an "equity swap" involving SAirGroup's registered shares have already been examined in detail. During the period between early March and late September 2001, Deutsche Bank AG received payments from SAirGroup totalling around CHF 87 million and EUR 20 million net. Deutsche Bank AG had long had a close business relationship with SAirGroup in a number of areas. Deutsche Bank AG had been aware of SAirGroup's poor financial situation since early March 2001. At that time it had attended bank presentations of SAirGroup, at which the company's financial situation was set out in detail. It was one of the three banks that granted SAirGroup the famous CHF 1 billion credit facility which SAirGroup however was never able to draw upon. This was because SAirGroup never satisfied the contractual conditions dictated by the banks. The liquidation bodies of SAirGroup are therefore of the opinion that Deutsche Bank AG could at least have recognized by March 2001 at the latest that the payments being made to it were having a detrimental effect on other SAirGroup creditors. Accordingly, the criteria for establishing a Pauliana claim for the payments made to Deutsche Bank AG are deemed to be met. A draft brief has now been sent to Deutsche Bank AG for comment. If it is not possible to reach an out-of-court settlement in the short term, a court action will be filed.

The voidability of other payments made to various recipients shortly before SAirGroup was granted a debt restructuring moratorium is currently being examined. Creditors will be kept up to date on the results of these investigations.

II. ASSESSMENT OF LIABILITIES

Work on the schedule of claims is now at an advanced stage. In particular, the Liquidator has established the principles for assessing preferential claims filed by former employees of SAirGroup. Likewise, the claims made by various creditors on the basis of complex leasing transactions have been assessed. These two areas have been submitted to the Creditors' Committee for decision. It will take some time for the principles established to be implemented. It will therefore not be possible to make the schedule of claims available for inspection to creditors before mid 2005.

III. ESTIMATED DIVIDEND

The anticipated debt restructuring dividend for 3rd class claims cannot be reliably estimated before the assessment of the liabilities has been concluded. The potential dividend range is still between 2.5% and 15.7%.

IV. REPORT ON ACTIVITIES 2004

The Liquidator's report on activities for the year 2004 to the debt restructuring judge will be drawn up in the first quarter of 2005. The report will be available to the creditors for inspection no later than April 2005. On this date, creditors will receive a summary of the report.

Seasons' Greetings and a happy New Year.

Yours sincerely

SAirGroup in debt restructuring liquidation

The Liquidator


Karl Wüthrich

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