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To the creditors of SAirGroup
in debt restructuring liquidation

Küsnacht, August 2005 WuK/fee

SAirGroup in debt restructuring liquidation; Circular no. 6

Ladies and Gentlemen

This Circular provides information on the progress of the SAirGroup debt restructuring liquidation since mid-March 2005:

I. SALE OF AVIREAL AG

In Circular no. 4, I was able to announce to creditors that a sale and purchase agreement for the takeover of Avireal AG by Burgring Immobilien AG had been concluded in January 2005. The transaction has since been approved by the Creditors' Committees of SAirGroup and SAirLines and the sale went through at the end of April 2005.

The deal for the shares, the "Avireal" brand, and the loans from SAirGroup and SAirLines is worth CHF 269,018,199.38. The proceeds will be divided as follows between SAirGroup and SAirLines:

SAirGroup:

Repayment of loan, after set-off of counter-claims by Avireal AG:	CHF	95,763,760.48
"Avireal" brand and building rights for Oberhau:	CHF	600,000.00

SAirLines:

Repayment of loan:	CHF	12,600,000.00
Shares in Avireal AG:	CHF	160,054,438.90

Reciprocal claims between the Avireal companies, SAirGroup and SAirLines have also been settled as part of the sale of Avireal AG. In

connection with the sale, SAirGroup received a payment of CHF 3,078,715.85 from Avireal SA, Suisse Romande, originating from the settlement of property management charges for the period from 5 October 2001 to 31 December 2002.

II. REAL ESTATE IN SWITZERLAND

1. Catering building in Geneva

In Section 2.1 of Circular no. 3 (December 2004), I notified creditors of the assignment to Gate Gourmet Switzerland GmbH of SAirGroup's rights to the catering building in Geneva, at a price of CHF 5.8 million. The deal has since been executed.

2. Villa in Bex

On 19 July 2002, SAirGroup acquired the "Villa Sérény", plot no. 832, La Colline, chemin des Clouds 2, Bex, from Dr & Mrs Mario Corti at a price of CHF 4.5 million. The purchase price was set off against SAirGroup's loan claim against Dr Corti, which arose from the 19 March 2001 agreement on Dr Corti's activities as the company's CEO. The market value of the property was estimated by Ernst & Young AG to be CHF 4.85 million as at 15 September 2002.

In August 2002, SAirGroup instructed a local real estate agent to sell the villa. It became clear in the course of efforts to sell the property that it would not fetch the target selling price of over CHF 4.5 million, however. In May 2005, a buyer was finally found who was prepared to buy the property at a price of CHF 3.85 million. In the meantime, a contract of sale has been concluded at this price. The Creditors' Committee has approved the contract, and the deal has gone through.

III. REAL ESTATE ABROAD

1. Property at 41 Pinelawn Road, Melville, New York

The present SAirGroup, then still known as Swissair Swiss Air Transport Company Ltd., purchased the property at 41 Pinelawn Road, Melville, New York ("Melville property") in 1991. The existing building was then demolished and a new building erected. Title to the property was subsequently transferred to the Suffolk County Development Agency in order to save taxes. The property was also encumbered by a right of

lien relating to a USD 5 million bond issued by the Suffolk County Development Agency to Gebrüder Lincke AG (now Avireal AG). The bond had a maturity of 1 June 2006 and a coupon of 7.35%. The USD 5 million was never paid, however. It is to be inferred from an internal paper that all interest and capital "payments" were fictitious. Following the Swissair group's restructuring into a holding company in May 1997, the Melville property was used by (the new) Swissair and carried as an asset in its books. Swissair bore all of the costs of maintenance, etc. SAirGroup received no rental payments from Swissair and ceased to submit tax returns in New York as of the 1997 financial year. For its part, Swissair did not pay any withholding tax on any potential purchase price or rental which would have been payable to SAirGroup.

These circumstances meant that, with the granting of the provisional debt restructuring moratorium and the confirmation of the debt restructuring agreement for Swissair and SAirGroup respectively, the actual owner of the Melville property – and thus the company entitled to the proceeds of its sale – was unclear. Independently of one another, both the Liquidator of SAirGroup and the Deputy Liquidator of Swissair, Dr. Niklaus Müller (attorney-at-law), had the ownership situation of the Melville property assessed by experts. The experts concurred unanimously that, under applicable US law, Swissair is the owner of the Melville property and is thus entitled to receive the proceeds from its sale. From the SAirGroup point of view, it will thus not be possible to include the proceeds of the sale in its disposable assets. The legal situation is unequivocal.

In early 2005, Swissair was able to conclude a contract for the sale of the Melville property with OSI Pharmaceuticals Inc. The purchase price is USD 11,250,000 and the deal went through at the end of April.

2. Condominium units on the second and fourth floor of Via Po 10 in Rome

The present SAirGroup, then still known as Swissair Swiss Air Transport Company Ltd., bought two condominium units on the second and fourth floor of the commercial building at Via Po 10 in Rome in 1980. Following Swissair group's restructuring into a holding company, the condominium units were used by the (new) Swissair. Swissair paid no rent to SAirGroup, but bore the costs and taxes accruing to the two

units. The two units were carried as assets in the Swissair balance sheet. No transfer of the properties from SAirGroup to Swissair was ever registered and completed in the Italian land register, however.

During the debt restructuring moratorium the two condominium units were sold in 2002 and 2003 with the approval of the debt restructuring judges in Zurich and Bülach respectively. The proceeds of the sale were paid into a "SAirGroup/Swissair" escrow account at the Zürcher Kantonalbank. With the approval of the two debt restructuring judges, it was also agreed between SAirGroup and Swissair that the allocation of the sale proceeds would be determined in the context of the debt restructuring liquidation. The Deputy Liquidator of Swissair has had the ownership situation of the two condominium units at Via Po 10 in Rome reviewed from the Swissair perspective. The legal expert appointed by him, Prof. Fabio Bortolotti, concluded that title to both units is with SAirGroup. The total net proceeds of CHF 4,601,651.57 (after the deduction of value-added tax, administration and realisation costs) yielded by the sale of the two condominium units in Rome thus goes to SAirGroup.

SAirGroup and Swissair have agreed that the costs and income accruing to real estate abroad after 5 October 2001 will be divided between the parties separately for each property at the same time and in the same proportions as the sale proceeds are distributed. In this connection, SAirGroup and Swissair have concluded a settlement agreement covering the following points:

- SAirGroup will reimburse Swissair the costs totalling CHF 410,556.18 relating to the two condominium units at Via Po 10 in Rome that Swissair paid from 5 October 2001 onwards.
- There will be no further settlement of costs and income accruing prior to 5 October 2001 in connection with the two condominium units at Via Po 10 in Rome.
- Insofar as Swissair has made payments of any type to SAirGroup for the book transfer of the two condominium units at Via Po 10 in Rome from SAirGroup to Swissair, these payments will be recognised as creditors' claims in the SAirGroup liquidation proceedings and either set off against any creditors' claims by SAirGroup against Swissair or included in the schedule of claims as 3rd class

claims. Reciprocal creditors' claims will be settled as part of the work to draw up the schedule of claims.

IV. Assertion of responsibility claims

1. Ruling of the Federal Supreme Court regarding the assertion of direct loss by creditors

Recent newspaper reports stated that the Swiss Federal Supreme Court had rejected a responsibility claim lodged by creditors of SAirGroup. The following points must be noted in this connection:

- The creditors who filed the action claimed that they had sustained a direct loss as a result of the actions of the defendant governing and executive bodies. The Commercial Court of Zurich and the Federal Supreme Court ruled that there was no causal relationship between the alleged actions of the governing and executive bodies and the loss that was the subject of the action. They therefore rejected the claim.
- This Federal Supreme Court ruling does not affect SAirGroup's responsibility claims against its governing and executive bodies. Such responsibility claims relate to actions on the part of these governing and executive bodies that resulted in a loss for SAirGroup and thus only indirectly to creditors. In such cases, only an adequate causal relationship between the actions of the governing and executive bodies and the loss sustained by the company need to be established. Neither the Commercial Court of Zurich nor the Federal Supreme Court made any statement with regard to this issue in either of their respective judgments.

2. Status of investigations

The investigations into responsibility claims against the governing and executive bodies of SAirGroup have continued over recent months. Draft writs on the various matters are currently being finalised.

The conciliation hearing concerning the responsibility claims arising from the Roscor transaction (see Circular no. 5, section IV) took place in early May 2005. The defendant governing and executive bodies dispute the responsibility claims that have been asserted. Neither party raised specific objections to the grounds for the responsibility claims

that are given in the draft writ, however. The action will now be lodged with the District Court of Zurich in the next few weeks.

Creditors will be kept informed on further progress with regard to the assertion of responsibility claims.

V. ASSERTION OF AVOIDANCE CLAIMS

1. Avoidance claims against KPMG companies

Creditors were notified in Circular no. 2, issued in June 2004, that an action against several KPMG companies had been lodged with the Commercial Court of the Canton of Zurich. By this action fee payments of around CHF 45 million that were made by SAirGroup to KPMG companies on 25 and 27 September 2001 were challenged. In the respective court proceedings, SAirGroup claimed that, given their consultancy activities for the group, the KPMG companies were aware of SAirGroup's desperate financial situation as at the end of September 2001, and should thus also have been able to recognise that they were being favoured by these payments to the detriment of the other creditors. The KPMG companies disputed these claims in their written defence, and pleaded that the Commercial Court should reject the claim. A hearing took place before the Commercial Court on 18 January 2005. The reporting judges of the Commercial Court presented their evaluation of the case on the basis of the statement of the action and the statement of defence. The judges largely upheld the reasoning presented by SAirGroup and the Court assessed the litigation risk for SAirGroup as being between 20 and 25%.

Settlement negotiations between the parties began in February 2005. They ultimately led in early May 2005 to a settlement agreement in principle. The terms of the corresponding agreement are as follows:

- The KPMG companies will pay SAirGroup CHF 35.5 million.
- The KPMG companies will waive their revived fee claims, equal to the amount of the payment.
- For its part, SAirGroup will refrain from making any further claims against the KPMG companies.

This settlement duly considers the litigation risks as stated to the parties by the Commercial Court. An excellent result has been achieved

for the SAirGroup creditors. In evaluating the settlement, it must be borne in mind that a successful avoidance action for the payments to the KPMG companies revives the fee claims that had been settled with the original payments. If these claims had to be recognised as part of the schedule of claims, the KPMG companies would be entitled to a dividend. Under the terms of the settlement, the KPMG companies have now waived any claims that may be revived and therefore no longer hold any claims against SAirGroup. With an expected average dividend of 9%, the KPMG companies' waiver is worth around CHF 3 million.

The Creditors' Committee approved the settlement and a written settlement agreement has since been concluded and executed.

2. Avoidance claims against Deutsche Bank AG

In Circular no. 3, I informed creditors of SAirGroup's avoidance claim against Deutsche Bank AG, concerning payments of around CHF 87 million and EUR 20 million net that were made between early March and late September 2001 in connection with an equity swap of SAirGroup registered shares. The avoidance action against Deutsche Bank AG will be submitted in the coming weeks.

3. Other Avoidance claims

The necessary steps have been taken to safeguard the rights of SAirGroup concerning the other avoidance claims being pursued by it (see Circular no. 5, section I.12). The grounds for claims in each individual case are currently being examined. Once this process has been completed, a final decision will be taken on which avoidance claims SAirGroup will finally pursue by filing a lawsuit. Should the liquidation bodies decide not to pursue such claims in individual cases, creditors will be offered the assignment of the right to take legal action.

VI. OFFERS FOR THE PURCHASE OF CLAIMS AGAINST SAIRGROUP

It has come to my attention that a number of finance companies, most recently VonWin Capital, have been making offers to SAirGroup creditors to purchase their claims. I should like to make the following remarks on this subject:

WENGER PLATTNER

- These finance companies find out about registered claims (creditors, including their addresses and the amount claimed) by exercising the right to inspect the company's files which they have as SAirGroup creditors.
- These companies are acting without any assistance from myself.
- As Liquidator of SAirGroup, I am not permitted to recommend to creditors how they should respond to such offers. I would simply refer you to my circulars, specifically Circular no. 4, including the SAirGroup liquidation status as at 31 December 2004.

Further information on proceedings is scheduled to be sent out to creditors in the autumn of 2005.

Yours sincerely

SAirGroup in debt restructuring liquidation
The Liquidator

Karl Wüthrich