

To all former and current insurees and pension recipients
of the General Pension Scheme of the SAirGroup

Zurich Airport, February 2004

Information on the partial liquidation

Dear (former) insuree, dear pension recipient,

The General Pension Scheme of the SAirGroup (GPS) had a funding ratio of substantially over 100 per cent at the end of 2003. This means that, unlike many Swiss-based occupational pension schemes at present, the GPS is not underfunded, and is in the comfortable position of having more funds at its disposal than it requires to meet all its current and future benefit obligations.

In view of the collapse of the SAirGroup (and the consequent departure of many former GPS insurees), the scheme's freely-disposable funds – i.e. that part of its funds in excess of the 100-per-cent funding ratio required to meet all its current and future benefit obligations – have to be divided up, in the form of a "partial liquidation" of the scheme. This is required under Swiss company pension scheme law.

The GPS Board of Trustees has been dealing intensively with this issue over the past two years, and has also involved the Zurich Cantonal Occupational Pension Fund Office closely in these deliberations. Three working insurees who were members of the former GPS Board of Trustees were also retained on the present Board of Trustees to ensure that all the interests of all the people concerned were duly and fairly considered in these deliberations.

The current Board of Trustees has now reached a series of decisions with regard to this partial liquidation. And it would like to formally inform you of these, as it is required to do by the supervisory authorities.

The partial liquidation will be effected using the following procedure:

1. For the current recipients of GPS old-age pensions, disability pensions and survivors' pensions, a lump-sum amount will be added to the scheme's actuarial reserves from the freely-disposable funds available, and will thus remain within the GPS. This supplement will secure the assets of the pension recipients concerned, and will also provide a reserve to meet the extra costs which may derive from rising life expectancy without having to downwardly adjust the actual pensions paid. The amount of this lump-sum supplement will also pay due regard to the difficulty the GPS faces in no longer being able to draw on employer's support or working insurees to offset any coverage shortfalls. Three separate independent assessments have suggested that this lump-sum supplement should amount to 15, 17 and 22 per cent of the actuarial reserves for the pension recipients concerned. The Board of Trustees has taken the average of these three proposals and set the supplement amount at 18 per cent of these actuarial reserves.

2. The remaining freely-disposable funds will be distributed on the basis of the total vested benefits held by former GPS insurees at the time of their departure from the GPS and the total actuarial reserves for GPS pension recipients on December 31, 2003. Any withdrawals of GPS savings after October 1, 2001 to help finance the purchase of residential property or following divorce will be included in the calculation of these amounts. Conversely, any repayments of amounts withdrawn to finance home purchasing and any payments into the GPS following divorce made after October 1, 2001 will be deducted from these amounts, as will any additional voluntary deposits, any payments into the scheme to cover salary increases and any vested benefits paid in upon joining the scheme after October 1, 2001.
3. The funds to be assigned to GPS pension recipients will remain in the GPS. The funds to be distributed to former insurees who have left the GPS and are still working will be paid collectively or individually into the former insuree's new occupational pension scheme if they joined one immediately after leaving the GPS. If they did not, the funds will be paid into a vested account, or will be paid out in cash, provided the legal requirements for such cash payments are met.

The above procedure will be applied to all insurees who left the GPS between October 1, 2001 and December 31, 2003. The calculation of the funds available for this partial liquidation will be based on the GPS's annual financial statements for 2003.

The partial liquidation will affect the various groups of insurees and beneficiaries as follows:

GPS pension recipients

In addition to the full actuarial reserves, the GPS will receive an additional 18 per cent of the actuarial reserves for pension recipients from the scheme's freely-disposable funds to serve as an equalisation reserve and ensure that pension levels can be maintained even with rising life expectancy. When the remaining freely-disposable funds are distributed, the GPS will receive a further amount which is based on the total actuarial reserves for pension recipients at the end of 2003. This amount will be used as a reserve to enhance the security of the pensions concerned and to finance any future pension increases. Both these amounts will remain in the GPS, and will not be individually assigned and paid out.

Former insurees now employed elsewhere

a) Former insurees who have transferred collectively to another company pension scheme

In the case of former GPS insurees who transferred collectively to another company pension scheme when they left the SAirGroup or one of its subsidiaries, the additional amount due to the insuree under the partial liquidation of the GPS will be paid into their new company pension scheme. These funds will be collectively transferred to the new scheme, which will itself decide how they will be used. This arrangement applies to employees of the following companies:

- Atraxis / EDS
- Avireal
- Belair AG
- Cargologic AG
- Energy Fit (FPS)
- Galileo Switzerland AG

- Gate Gourmet, Crossair Catering, E-Gatematrix
- Lernzentrum / AKAD
- Mindpearl AG
- Nuance AG
- PFS AG
- Pro Taxi
- Qualiflyer Loyalty AG
- Rail Gourmet Holding GmbH
- Restorama AG
- SR Technics AG
- SWISS (ground)
- SWISS (cabin)
- Swissair Flight Support AG
- Swissôtel Management AG
- Swissphoto Vermessungs AG
- Swissport, LSS Swissport, Unitpool, Cargologic Geneva

b) Individual transfers to another occupational pension scheme

In the case of former GPS insurees who transferred individually from an SAirGroup company to another company and joined their new company's occupational pension scheme, the amount to which they are entitled under the partial liquidation of the GPS will be transferred to their new occupational pension scheme and added by this scheme to their individual savings capital. If the former insuree has since left this new occupational pension scheme, they should contact the scheme concerned once the partial liquidation has been effected.

c) Former insurees who left the GPS but did not join a new occupational pension scheme

In the case of former GPS insurees who did not join a new occupational pension scheme when they left the SAirGroup, the amount to which they are entitled under the partial liquidation of the GPS will be paid in the same way as they received their vested benefits when they left the GPS, i.e. it will be either paid into a vested account or paid out in cash provided the relevant legal conditions for such cash payment (commencement of self-employment, leaving Switzerland) are met. If the former GPS insuree concerned has since joined a new occupational pension scheme, this amount must then be transferred to their new pension scheme from their vested account.

Right of objection

Objections can be lodged to the partial liquidation procedure resolved by the GPS Board of Trustees. Any such objection must be submitted in writing to the Board of Trustees, and must include a formal request and the reasons for the same. Objections should be sent to: General Pension Scheme of the SAirGroup, Objections to Partial Liquidation Procedure, P.O. Box, CH-8058 Zurich Airport. All such objections must be submitted by March 14, 2004 ("A Mail" postmark date).

Next partial liquidation steps

Further information on the partial liquidation of the GPS will be found on [the www.swissair-group-pensions.com/apk/e/liquidation.html](http://www.swissair-group-pensions.com/apk/e/liquidation.html) webpage. In view of the fact that the partial liquidation affects some 23 000 individuals, we appeal to everyone concerned to refrain from telephone inquiries.

You can also help us conduct this partial liquidation as smoothly and swiftly as possible by communicating any change of address to us in writing, together with your former SAirGroup personnel number. All such communications should be sent to: General Pension Scheme of the SAirGroup, Partial Liquidation, P.O. Box, CH-8058 Zurich Airport. Alternatively, you can communicate your change of address to us by using the appropriate form, which you will find on our www.swissair-group-pensions.com/apk/e/liquidation.html webpage.

The Board of Trustees will deal with any objections it receives once the submission deadline has passed. The GPS annual financial statements for 2003, approved by the former Board of Trustees, will be available in May. Once these are available, we will be able to submit a distribution plan for the partial liquidation to the supervisory authorities.

Once the distribution plan has been approved by the supervisory authorities, you will receive a further communication from the GPS including a copy of the official partial liquidation order from the same supervisory authorities. You are also legally entitled to appeal against this order. Any such appeals must initially be submitted to the Federal Complaints Commission, but may ultimately be referred as high as the Federal Supreme Court.

We would like to point out, however, that any legal action taken may delay the distribution of the amounts involved in the proposed partial liquidation by several years, since these amounts can only be distributed once the distribution plan has entered into legal effect, i.e. following the final ruling by the last body to which the issue is referred.

Sincerely,

Bernhard Keller
Chairman of the Board of Trustees

Sabine Cescato
Managing Director

Copies to:

- Markus Meier, technical consultant, Pendi Associates AG, 8027 Zurich
- Serge Temperli, auditor, Fischer Treuhand AG, 8031 Zurich
- Hans-Peter Stäger, Zurich Cantonal Occupational Pension Fund Office, 8001 Zurich
- the occupational pension schemes of the companies listed under a) above