

**Unofficial Translation
of German Original**

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To the creditors of
Swissair Swiss Air Transport Company Ltd.
in debt restructuring liquidation

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Entered in the register of attorneys

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Swissair Swiss Air Transport Company Ltd. in debt restructuring liquidation; Circular no. 29

Dear Sir or Madam,

This circular provides information on the current status of the debt restructuring liquidation of Swissair Swiss Air Transport Company Ltd. ("Swissair"), and on how the proceedings are expected to progress over the coming months.

I. REPORT ON ACTIVITIES AS AT 31 DECEMBER 2019

After having been acknowledged and approved by the Creditors' Committee, the 17th liquidator's report on activities for 2019 was submitted to the debt restructuring judge at the district court of Bülach on 16 March 2020. The report on activities is available for inspection by the creditors at the offices of the Liquidator at Wenger Plattner, Seestrasse 39, Goldbach Center, 8700 Küsnacht, Switzerland until 28 May 2020. If you wish to inspect the report, please call the hotline on +41 43 222 38 50.

The following pages summarise the content of the report on activities.

II. OVERVIEW OF THE LIQUIDATION PROCEEDINGS

1. ACTIVITIES OF THE LIQUIDATOR AND DEPUTY LIQUIDATOR

The focal points of the Liquidator's activities in 2019 were the management of a action to contest the schedule of claims (see section V. below), the execution of the fourth interim payment to the creditors with third-class claims and the assertion of claims against Sabena SA in Belgium. The Deputy Liquidator brought the responsibility claim against former directors and officers of Swissair (see section IV.3.1 below). Finally, various assets were also liquidated (see section IV.1. below).

2. ACTIVITIES OF THE CREDITORS' COMMITTEE

The Creditors' Committee held no meetings in 2019. It passed two resolutions submitted by the Liquidator. This was done by means of circulars.

III. ASSET STATUS OF SWISSAIR AS AT 31 DECEMBER 2019

1. INTRODUCTORY REMARKS

Enclosed is a report on the liquidation status of Swissair as at 31 December 2019 (Annex 1). It contains a statement of the assets of Swissair as at 31 December 2019 in accordance with the information currently available.

2. ASSETS

Liquid assets: The liquid funds of Swissair are mainly held at Zürcher Kantonalbank ("ZKB"). Since 1 March 2015, ZKB has been charging negative interest on the assets of Swissair. In 2019, negative interest of CHF 394,361 was charged. The average negative interest that was charged was slightly less than 0.7%. Settlement of the fourth interim payment enabled the credit with ZKB to be heavily reduced. Accordingly, less negative interest had to be paid in 2019 compared with the previous year.

Claims against third parties: The "Claims against third parties" item mainly consists of claims against former Swissair Group companies (see section IV.2 below). This item has been assessed conservatively in accordance with the information currently available.

Real estate: The distribution of the revenues from the sale of properties in Singapore, Mumbai, Tel Aviv, Istanbul, Madrid, São Paulo and Rio de Janeiro between SAirGroup AG in debt restructuring liquidation (hereinafter “SAirGroup”) and Swissair is still pending. The aim is for agreement on this division to be reached by the end of 2020. The value of this item may therefore still change.

Other **assets as yet unrealised:** In addition to the assets mentioned above, there is also the shareholding in the Swissair Training Center AG in liquidation. Furthermore, there is a dispute between SAirGroup and Swissair as to which party is entitled to the proceeds from the sale of Egyptian Aviation Services (“EAS”). The facts underlying this transaction have been processed. This item too should be settled in 2020. Conservative estimates have been given for assets that have not yet been liquidated.

3. DEBTS INCURRED IN THE COURSE OF THE LIQUIDATION PROCESS

Accounts payable: The debts incurred in the course of the liquidation process as reported on 31 December 2019 consist of liquidation costs incurred during 2019.

Provisions for the four interim payments to date: Swissair’s liquidation status as at 31 December 2019 includes the following provisions for the four interim payments to date:

Reason for provision	1st interim payment in CHF	2nd interim payment in CHF	3rd interim payment in CHF	4th interim payment in CHF
No payment instructions or payments not made for other reasons	290,364	1,211,759	1,602,287	787,213
Contingent claims where conditions have not yet been met	532,853	1,625,202	2,237,984	719,352

Reason for provision	1st interim payment in CHF	2nd interim payment in CHF	3rd interim payment in CHF	4th interim payment in CHF
Claims in pending schedule of claims proceedings	2,267,189	6,914,926	9,522,193	3,060,705
Total provisions	3,090,406	9,751,887	13,362,464	4,567,270

These provisions ensure that the maximum amounts for the four interim payments with respect to all unsettled claims are guaranteed.

4. CREDITORS' CLAIMS

The schedule of claims has been settled with the exception of the pending action to contest the schedule of claims brought by the ancillary insolvency estate of Sabena SA (*Masse en faillite ancillaire de Sabena SA*, hereinafter the "ancillary insolvency estate of Sabena SA"; see section V below) and its precautionary registration of claims. The current state of the schedule of claims proceedings is shown in [Annex 2](#).

5. ESTIMATED LIQUIDATING DIVIDEND

The disposable assets reported in the liquidation status as at 31 December 2019 result in a maximum dividend of 20.8% for third-class claims. However, should the pending action to contest the schedule of claims be recognised, the minimum dividend would be 20.4%. Of this, 19.2% has already been paid out by way of the four interim payments. Therefore, the future liquidating dividend that may be expected is between 1.2% and 1.6%.

IV. REALISATION OF ASSETS

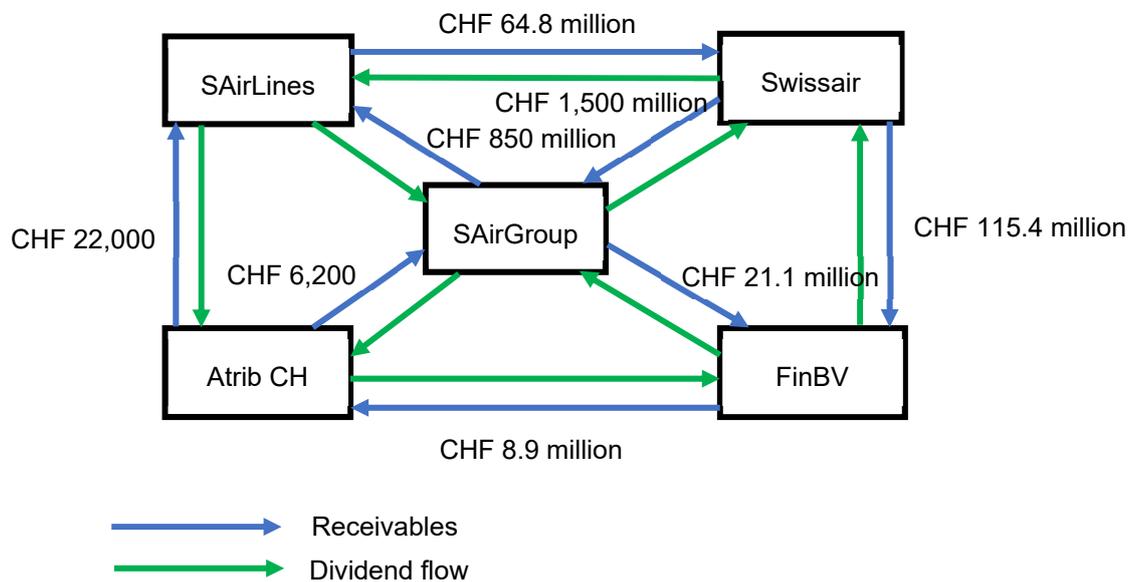
1. GENERAL

In 2019, assets to the value of CHF 1,448,773 were realised.

2. CLAIMS AGAINST FORMER GROUP COMPANIES; DISSOLUTION OF CIRCULAR FLOW OF DIVIDENDS

A portion of the assets belonging to Swissair that has not yet been realised consists of claims against former Swissair Group companies at home and abroad that are subject to insolvency or liquidation proceedings.

Reciprocal claims exist between different companies. This partially results in circular flows of dividends. For example, it results in the following situation:



Each interim payment by one of the companies results in a small proportion finding its way back to the paying company via this circular flow of dividends. If it is not possible to interrupt the cash flows in these circular flows of dividends, this would ultimately mean it will not be possible to conclude the Swissair proceedings.

In the debt restructuring liquidation proceedings of the SAirGroup, SAirLines AG (hereinafter referred to as "SAirLines"), Swissair and Flightlease AG (hereafter referred to as "Flightlease"), various assets have not yet been liquidated and the liquidation proceeds are not yet known. The division of the proceeds of the realisation of properties and participations abroad between the SAirGroup and Swissair and between SAirGroup and SAirLines has yet to be finalised. There are different opinions regarding how the revenues should be divided. The parties are currently negotiating about the liquidation assets. It is not yet clear when an agreement on settling these matters can be reached. Furthermore, the assertion of responsibility claims against former directors and officers of the

SAirGroup, SAirLines, Swissair and Flightlease is not yet completed. This means that the result from the realisation of responsibility claims is not yet known. A decision has also not been made by SAirGroup regarding a responsibility claim made by Swissair in connection with the cash pool. Finally, an action to contest the schedule of claims of Swissair lodged by the Swiss ancillary insolvency estate of Sabena SA is still pending. Swissair's schedule of claims is therefore not yet legally binding.

The liquidators and administrators of the involved companies of the former Swissair Group have spent the past few months in negotiations about ways of breaking the existing circular flows of dividends. Based on an average scenario for the liquidation proceeds of SAirGroup, SAirLines, Swissair and Flightlease, they have agreed to carry out sales of receivables with which the circular flows can be broken. As a result of this, Swissair is purchasing the following receivables:

Seller	Debtor	Nominal claims	Purchase price
Atrib Group	Fin BV	EUR 5,380,047.94	CHF 42,370
Atrib Switzerland	Swissair	CHF 30,000,000.00	CHF 672,000
Balair	Swissair	CHF 2,551,300.20	CHF 57,150
	Fin BV	EUR 7,562,903.59	CHF 59,560
	Swisscargo	CHF 5,823.55	CHF 170
Globepool	Swissair	CHF 1,076,232.66	CHF 24,110
	Fin BV	EUR 1,954,708.27	CHF 15,400
Swisscargo	Fin BV	EUR 34,814,689.27	CHF 274,200

The agreement on breaking the circular flows of dividends has been signed by the involved parties. Still outstanding is the consent by the respectively responsible bankruptcy or liquidation bodies, which in the case of the Swissair is the Creditors' Committee. If an agreement can be reached, it will be then possible to conclude the liquidation proceedings of most former companies of the Swissair Group. In this context, it will then be possible to collect a large part of Swissair's claims against third parties. The only outstanding point would then be the collection of the receivables from SAirGroup and SAirGroup Finance (NL) BV.

3. ASSERTION OF RESPONSIBILITY CLAIMS

3.1 *Group financing*

With the statement of claim of 26 April 2013, Swissair lodged a responsibility claim against 14 former *de jure* and *de facto* directors and officers before the Commercial Court of the Canton of Zurich. At issue in this litigation was the financing of SAirGroup by Swissair. The total value of the claim amounts to about CHF 282 million.

In a ruling dated 16 March 2018, the Commercial Court rejected the claim lodged by Swissair. According to the ruling, the continuation of the one billion dollar loan, Swissair's continued participation in the cash pool and the provision of fixed deposits by Swissair to SAirGroup from 1 January 2001 were unlawful because they were disbursements that violated the capital protection regulations. Nevertheless, in the opinion of the Commercial Court, the defendants had not violated any due diligence requirements in this regard. The actions of the defendants were reasonably taking into account the interests of the Group. Moreover, Swissair creditors did not suffer any damage in these areas because Swissair would have had to expend any monies it received from the cash pool or from SAirGroup to continue flight operations before it could have drawn down loans granted by the Government.

With the consent of the Creditors' Committee, the Deputy Liquidator lodged a civil complaint with the Federal Supreme Court against the ruling of the Commercial Court. On 18 November 2019, the Federal Supreme Court effectively dismissed Swissair's complaint and upheld the ruling of the Commercial Court.

3.2 *Further responsibility issues*

With regard to other responsibility issues, Swissair reserves the right to submit claims against the responsible parties. Taking into account the ruling of the Federal Supreme Court of 18 November 2019, the Deputy Liquidator will submit a proposal for further action on this matter in the coming months.

V. SETTLEMENT OF LIABILITIES (SCHEDULE OF CLAIMS)

At the end of 2019, the action to contest the schedule of claims brought by the Swiss ancillary insolvency estate of Sabena SA regarding a third-class claim for CHF 113,359,441 was still pending. In a ruling dated 26 April 2018, the single judge at the district court of Bülach rejected the action to contest the schedule

of claims. The ancillary insolvency estate of Sabena lodged an appeal against this ruling with the High Court of the Canton of Zurich.

The High Court partially approved the appeal of the ancillary insolvency estate of Sabena in its ruling of 5 July 2019 and returned the lawsuit in the amount of CHF 34,758,341.00 for reassessment to the district court of Bülach. The High Court is of the opinion that the ancillary insolvency estate of Sabena is entitled to sue to this extent because this claim has been transferred to it. Regarding the remaining amount of CHF 78,601,099.90, the High Court confirmed the ruling of the district court of Bülach and denied the ancillary insolvency estate of Sabena the right to bring proceedings.

Both the ancillary insolvency estate of Sabena and Swissair – with the approval of the Creditors' Committee – lodged a civil complaint with the Swiss Federal Supreme Court against the ruling of the High Court. The Federal Supreme Court has not yet ruled on this matter.

VI. HOW THE PROCEEDINGS ARE EXPECTED TO PROGRESS

In the coming months, the aim will be to reach an agreement with SAirGroup about the division of the revenues from the sale of properties abroad and from the sale of the EAS participation (see section III.2 above). The basic principles have already been drawn up. Negotiations between the liquidation estates are expected to be completed in the next few months.

In addition, claims against former Swissair Group companies (see section III.2. above) should be collected as far as possible. In this connection, the conclusion of the pending insolvency proceedings at home and abroad must be awaited. If the agreement regarding the dissolution of circular flows of dividends (see section IV.2. above) is reached, there is a good chance that this collection can be completed this year.

In addition, the Deputy Liquidator, together with the Creditors' Committee, will determine the next steps to be taken regarding liability claims (see section IV.3.2 above).

Depending on how the proceedings progress, the creditors will continue to receive information about important developments by means of circulars. A report on the progress of the liquidation process this year will be issued by early 2021 at the latest.

Kind regards

Swissair Swiss Air Transport Company Ltd. in debt restructuring liquidation
The Liquidator:

Karl Wüthrich

- Annexes: 1. Liquidation status of Swissair as at 31 December 2019
2. Overview of the schedule of claims proceedings of Swissair

LIQUIDATION STATUS AS OF 31 DECEMBER 2019

	31.12.2019	31.12.2018	Change
	CHF	CHF	CHF
ASSETS			
Liquid funds			
ZKB CHF	3'124'012	7'750'443	-4'626'431
ZKB EUR	1'489'289	84'767	1'404'522
ZKB USD	41'085	40'169	916
ZKB Money Market Time CHF	45'000'000	130'000'000	-85'000'000
Total liquid funds	49'654'386	137'875'379	-88'220'993
Liquidation positions			
Banks/cash abroad	2'095	2'180	-85
Accounts receivable by the estate	7'384	3'727'035	-3'719'651
Receivables from third parties	16'802'000	15'606'000	1'196'000
Prepaid court expenses	255'000	6'933'409	-6'678'409
Deposits/Guarantees	0	0	0
Claims from proceeds of sale of operating equipment	2	2	0
Real estate (part of revenues)	11'500'000	8'000'000	3'500'000
Participations	900'001	1	900'000
Responsibility claims	p.m.	p.m.	
Total liquidation positions	29'466'482	34'268'627	-4'802'145
TOTAL ASSETS	79'120'868	172'144'006	-93'023'138
LIABILITIES			
Debts of the estate			
Accounts payable to the estate	406'772	469'411	-62'639
Provision, 1st interim payment	3'090'406	3'156'753	-66'347
Provision, 2nd interim payment	9'751'887	9'801'702	-49'814
Provision, 3rd interim payment	13'362'464	13'427'426	-64'962
Provision, 4th interim payment	4'567'270	0	4'567'270
Provisions for liquidation costs	5'000'000	5'000'000	0
Provisions for outstanding statements	0	0	0
Total debts of the estate	36'178'799	31'855'292	4'323'508
TOTAL DISPOSABLE ASSETS	42'942'068	140'288'714	-97'346'646

Overview of the schedule of claims proceedings

Category	Registered Amount in CHF	Schedule of claims						Dividend				
		Recognized Amount in CHF	Appeal lodged Amount in CHF	Decision suspended Amount in CHF	Rejected Amount in CHF	Future dividend		Interim payments	Total			
						minimal	maximal		minimal	maximal		
Secured by right of lien	4'758'963.80	1'074'339.35	-	-	3'684'624.45	-	-	-	-	-	-	-
First Class	902'655'767.50	17'975'081.90	-	-	884'680'685.60	-	-	-	-	100%	100%	100%
Second Class	939'006.50	936'075.09	-	-	2'931.41	-	-	-	-	100%	100%	100%
Third Class	27'062'407'411.15	3'349'501'565.63	113'359'440.90	-	23'599'546'404.62	-	-	1.2%	1.6%	19.2%	20.4%	20.8%
Total	27'970'761'148.95	3'369'487'061.97	113'359'440.90	-	24'487'914'646.08	-	-					

www.liquidator-swissair.ch

**Hotline Swissair Swiss Air Transport Company Ltd
in debt restructuring liquidation**

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