

**Unofficial Translation  
of German Original**

To the creditors of SAirLines in debt  
restructuring liquidation

Küsnacht, April 2010 WuK/fee

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**SAirLines in debt restructuring liquidation;  
Circular no. 13**

Dear Sir or Madam,

This Circular provides information on the progress of the SAirLines debt restructuring liquidation proceedings since April 2009, as well as on the next steps planned in these proceedings over the coming months.

**I. REPORT ON ACTIVITIES AS OF 31 DECEMBER 2009**

Having been acknowledged and approved by the Creditors' Committee on 17 March 2010, the seventh of the Liquidators' reports on activities for 2009 has been submitted to the debt restructuring judge at the District Court of Zurich. The report is available for inspection by creditors at the Liquidator's offices at Seestrasse 39, Goldbach Center, 8700 Küsnacht, until 12 May 2010. Appointments should be made in advance with Christian Rysler (phone +41 43 222 38 00).

The following is a summary of the content of the report on activities.

**II. OVERVIEW OF THE LIQUIDATION PROCESS**

**1. Activities of the Liquidators**

During the year just ended, the Liquidators' activities focused on the pursuit of pending legal actions to contest the schedule of claims, defending the estate against guarantee claims in connection with the

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8) DIPL. WIRTSCHAFTSPRÜFER 9) Eidg. Dipl. ImmoBilientreuHänder 10) ALS RECHTSANWALT NICHT ZUGELASSEN

sales of the Nuance Group and Avireal AG, the pursuit of an avoidance claim and the sale of the participation in Cargolux Airlines International S.A. (section IV.2 below). Furthermore, investigations into the responsibility of directors and officers were also continued.

**2. Activities of the Creditors' Committee**

The Creditors' Committee held one meeting in 2009. It discussed the Liquidators' proposal concerning the sale of the participation in Cargolux Airlines International S.A. The motion was subsequently passed by circular resolution.

**III. ASSET STATUS OF SAIRLINES AS AT 31 DECEMBER 2009**

**1. Introductory remark**

Enclosed is a report on the liquidation status of SAirLines as per 31 December 2009. The report contains a statement of the assets of SAirLines in debt restructuring liquidation as of that date and in accordance with present information.

**2. Assets**

Open apportionment of proceeds from the sale of Swissport, Restorama, RailGourmet, Gate Gourmet and Nuance: In 2009 it again was not possible to apportion the proceeds of the sales of the Swissport Group, the Gate Gourmet Group and the Nuance Group. Efforts will be made to resolve these outstanding matters in the course of this year.

As-yet unrealised assets: As in the past, this category consists primarily of claims against former Swissair Group companies and shareholdings and securities held by SAirLines. Furthermore, any responsibility and avoidance claims are carried pro memoria. Valuations of as-yet unrealised assets can still be described as conservative. The chances that the reported liquidation figures can be achieved are therefore good.

**3. Debts incurred in the course of the liquidation process**

Accounts payable: The accounts payable reported as of 31 December 2009 relate to costs incurred during the debt restructuring liquidation.

Provision for first interim payment: The liquidation status of SAirLines as of 31 December 2009 includes the sum of CHF 341,282,915 as provision for the first interim payment. Of this amount, CHF 2,779,445 is reserved for payments in respect of which creditors have not yet issued payment instructions to the Liquidator, or for payments that could not be effected for other reasons. Another CHF 47,622,378 concerns interim payments for claims for which an action to contest the schedule of claims is pending. The remainder of the provision – CHF 290,881,092 – is for claims that are still suspended at present. The provision that has been made guarantees the maximum amount of the first interim payment for all claims that have not yet been settled.

**4. Creditors' claims**

The enclosed overview of the schedule of claims proceedings states the total of claims that have been registered in the respective classes, those claims which have been recognised, those which have been definitively rejected, those which are in dispute (actions to contest the schedule of claims) and those for which the schedule of claims entries are still suspended. The claim amounts with a priority entitlement to the estates of S Air Logistics AG, S Air Relations AG and S Air Services AG, as well as those of third-class claims, may change in the course of efforts to settle the schedule of claims. Changes have occurred in 2009 only to third-class claims in respect of which actions to contest the schedule of claims are pending. The actions contesting the schedule of claims which were lodged by the Belgian government, companies controlled by the Belgian government and Sabena, and which had been stayed until the end of 2008, have now been resumed. In a supplement to its claim, the Belgian government reduced its demand by approximately CHF 744 million. At the end of 2009, five claims involving a total sum of CHF 992,132,871.21 were pending before the District Court in Zurich.

**5. Estimated dividend**

The disposable assets reported in the liquidation status give a maximum dividend of 20.6%, providing all of the still pending actions to contest the schedule of claims are unsuccessful and no more than 50% of suspended claims have to be recognised. Should all of the actions be admitted and the suspended claims have to be recognised in full, however, the minimum dividend would be 10.2%. Of this, 4.8% has already been paid out in an initial interim payment. The future dividend that may be expected, therefore, is between 5.4% and 15.8%.

**IV. REALISATION OF ASSETS**

**1. General comments**

The Liquidators are pushing forward with collection on claims. Payments totalling CHF 5.58 million were added to the estate's assets as a result.

**2. Sale of shareholding in Cargolux Airlines International S.A.**

SAirLines held a 33.69% interest in the Luxembourg-based cargo airline Cargolux Airlines International S.A ("Cargolux"), established in 1970. Cargolux is Europe's biggest airline operating exclusively in the field of air cargo.

Cargolux shareholders entered into a shareholders agreement on 16 December 1998. This agreement contained a pre-emptive right for the other shareholders in the event that one shareholder wished to sell shares. As a result, SAirLines was not at liberty to sell its shares to just any buyer. On the other hand, the shareholders agreement accorded SAirLines a blocking minority for important resolutions, e.g. capital changes or amendments to the articles of association.

After SAirLines had been granted a debt restructuring moratorium in October 2001, it commenced an initial sales process for the sale of its

Cargolux shares in 2002. Efforts to sell its shareholding failed in 2003 and the sales process was suspended for the time being.

In 2005, the Luxembourg shareholders agreed to seek a solution for SAirLines' exit from Cargolux. They began negotiations with the Liquidators. In December 2005, the parties agreed a price of USD 145 million for the Cargolux shares held by SAirLines. The sale could not subsequently be completed as the shares held by SAirLines were subject to a creditor attachment order. This order was not definitively removed until spring 2009. At this time dividends for the years before 2007 in the amount of USD 20 million, which had equally been subject to the attachment order, were also released. The dividends were consequently paid to SAirLines.

Through the course of 2006, investigations began against Cargolux and other airlines in the USA, Canada, Australia and Europe for infringement of anti-trust legislation. Given Cargolux's participation in cartel agreements, the company faced fines of several hundred million USD, or had already paid such fines. The investigations and the resulting fines impacted heavily on the Cargolux results for the years 2007 and 2008, as corresponding provisions had to be made. In the wake of the global economic crisis, the financial situation at Cargolux deteriorated drastically from December 2008. The board of Cargolux therefore engaged a consultancy firm in June 2009 to clarify and evaluate future options for Cargolux. The consultancy concluded that Cargolux required fresh equity in the amount of USD 100 million by the end of 2010. SAirLines would have had to make a capital injection of over USD 30 million in order to preserve the size of its existing shareholding after the capital increase.

As a result, negotiations between the Luxembourg shareholders and SAirLines again began with respect to the purchase of Cargolux shares held by SAirLines. The liquidators used an external consultant during the negotiations. In November 2009, the Luxembourg shareholders agreed a purchase price of USD 58 million with SAirLines.

After considering the various courses of action, the Liquidators and the Creditors' Committee, together with the external consultant, concluded

that the agreed purchase price of USD 58 million was fair. In the evaluation process, the negative effect of the shareholders agreement on the options open to SAirLines for a sale to a third party and the urgently needed capital increase at Cargolux played a decisive role. A capital injection into Cargolux of more than USD 30 million was not an option for the liquidation bodies.

With approval from the Creditors' Committee the contract of sale with the Luxembourg shareholders was concluded at the end of November 2009 and executed in December 2009. The purchase price of USD 58 million was transferred to SAirLines. Together with the dividend payment, liquidation proceeds of some USD 78 million were achieved from the asset Cargolux.

**3. Completion of the sale of Avireal**

The completion of the Avireal sale (see sixth report on activities dated 16 March 2009, section III.4) was pushed further forward in 2009. In a decision delivered on 9 September 2009, the Commercial Court in Zurich dismissed the buyer's third claim for CHF 11,668,400. This judgement has now become final.

After completion of the third law suit, the parties recommenced negotiations on the two open items totalling around CHF 2.9 million concerning the application of the price adjustment clause. It appears this matter will soon be settled.

**V. ASSERTION OF AVOIDANCE CLAIMS AGAINST PROP LEASING AND TRADING COMPANY LIMITED**

The avoidance action against Prop Leasing and Trading Company Limited is still pending. In a judgment dated 17 December 2009, the Federal Supreme Court overturned the decision of the Commercial Court in Zurich from 13 November 2007 which had dismissed the claim and remanded the case for completion of the facts and retrial before the Commercial Court. It remains to be seen how the Commercial Court will now continue the proceedings.

**VI. PLANNED NEXT STEPS IN THE PROCESS**

The Liquidators' activities will concentrate on ongoing work to settle liabilities as well as on the clarification of responsibility claims. It is not clear how much time the liquidation will need before completion.

The plan is to make a second interim payment to creditors in the course of 2010.

Creditors will continue to receive information about important developments in the form of circulars, depending on how things proceed. A report on the progress of the liquidation process in the current year will be issued by no later than spring 2011.

Yours faithfully

SAirLines in debt restructuring liquidation

The Liquidators

Karl Wüthrich

Roger Giroud

- Enclosures:
- Liquidation status of SAirLines in debt restructuring liquidation, as of 31 December 2009
  - Overview of the schedule of claims relating to SAirLines in debt restructuring liquidation

**[www.liquidator-swissair.ch](http://www.liquidator-swissair.ch)**

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**LIQUIDATION STATUS AS OF 31 December 2009**

	<b>Total</b>	<b>S Air Logistics AG</b>	<b>SAirLines (incl S Air Services and S Air Relations)</b>
	<b>CHF</b>	<b>CHF</b>	<b>CHF</b>
<b>ASSETS</b>			
<b>Liquid funds</b>			
UBS AG CHF	438'167	-	438'167
UBS AG USD	6'416	-	6'416
Credit Suisse	143'213		143'213
ZKB CHF	558'184'575	93'358'197	464'826'378
ZKB USD	96'301	17'812	78'489
Fixed-term deposits	-		-
<b>Total liquid funds</b>	<b>558'868'672</b>	<b>93'376'009</b>	<b>465'492'663</b>
<b>Liquidation positions</b>			
Accounts receivable	1'843'347	7'496	1'835'851
Advance on legal costs	584'153		584'153
Open apportionment of proceeds and escrow accounts from the sale of Swissport, Restorama, RailGourmet, Gate Gourmet and Nuance	62'891'894		62'891'894
Receivables from third parties	2'677'342	54'195	2'623'147
Shareholdings, securities	54'960'007	-	54'960'007
Responsibility claims	p.m.	p.m.	p.m.
Avoidance claims	p.m.	-	p.m.
<b>Total liquidation positions</b>	<b>122'956'743</b>	<b>61'691</b>	<b>122'895'052</b>
<b>TOTAL ASSETS</b>	<b>681'825'415</b>	<b>93'437'700</b>	<b>588'387'715</b>
<b>LIABILITIES</b>			
<b>Debts of the estate</b>			
Accounts payable	538'320	193'432	344'888
Provision for part of wages for Close Down Team	-	-	-
Provision for liquidation costs	6'232'500	1'870'000	4'362'500
Provision, 1st interim payment	341'282'915	4'057'738	337'225'177
<b>Total debts of the estate</b>	<b>348'053'735</b>	<b>6'121'170</b>	<b>341'932'565</b>
<b>TOTAL DISPOSABLE ASSETS</b>	<b>333'771'680</b>	<b>87'316'530</b>	<b>246'455'150</b>



## Overview of proceedings to draw up the schedule of claims for SAirLines

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	1st interim payment	Future Dividend		Total				
		Amount in CHF	Amount in CHF	Amount in CHF	Amount in CHF	min.	max.	min.	max.				
Secured by right of lien	-	-	-	-	-	-	-	-	-	-	-	-	-
Preferential rights to the corporate assets of S Air Logistics AG	83'883'644.64	170'217.80	-	73'578'416.39	10'135'010.45	5,5%	94,5%	94,5%	100%	100%	100%	100%	100%
Preferential rights to the corporate assets of S Air Relations AG	242'285'270.88	4'292'146.45	-	102'637'015.06	135'356'109.37	100%	-	-	100%	100%	100%	100%	100%
Preferential rights to the corporate assets of S Air Services AG	44'747'368.51	4'429'846.30	-	40'184'286.86	133'235.35	100%	-	-	100%	100%	100%	100%	100%
First class	91'709'000.29	-	-	-	91'709'000.29	100%	-	-	100%	100%	100%	100%	100%
Second Class	3'082.40	3'082.40	-	-	-	100%	-	-	100%	100%	100%	100%	100%
Third Class <sup>1)</sup>	65'470'710'388.82	858'303'793.28	992'132'871.21	2'999'807'929.73	60'620'465'794.60	4,8%	5,4%	15,8%	10,2%	10,2%	10,2%	20,6%	20,6%
<b>Total</b>	<b>65'933'338'755.54</b>	<b>867'199'086.23</b>	<b>992'132'871.21</b>	<b>3'216'207'648.04</b>	<b>60'857'799'150.06</b>								

<sup>1)</sup> The third-class claims for which decisions have been suspended are factored into this calculation at 50%.