

**Unofficial Translation
of German Original**

To the creditors of SAirLines in debt
restructuring liquidation

Küsnacht, May 2011 UmB/SoC

DR. WERNER WENGER 1)
DR. JÜRIG PLATTNER
DR. PETER MOSIMANN
STEPHAN CUENI 1)
PROF. DR. GERHARD SCHMID
DR. DIETER GRÄNICHNER 1)
KARL WÜTHRICH
YVES MÈLI
FILIPPO TH. BECK, M.C.J.
DR. FRITZ ROTHENBÜHLER
DR. BERNHARD HEUSLER
DR. ALEXANDER GUTMANS, LL.M. 1)
PETER SAHLI 2) 10)
DR. THOMAS WETZEL 5)
DR. MARC RUSSENBERGER
DR. MARC NATER, LL.M.
ALAIN LACHAPPELLE 7) 10)
BRIGITTE UMBACH-SPAHN, LL.M.
ROLAND MATHYS, LL.M.
MARTIN SOHM 5)
DR. CHRISTOPH ZIMMERLI, LL.M.
DR. PHILIPPE NORDMANN, LL.M.
PD DR. PETER REETZ 5)
DR. RETO VONZUN, LL.M.
SUZANNE ECKERT
DR. DAVID DUSSY
AYESHA CURMALLY 1) 4)
CORNELIA WEISSKOPF-GANZ
DR. STEPHAN KESSELBACH
DR. MAURICE COURVOISIER, LL.M.
CRISTINA SOLO DE ZALDÍVAR
DANIEL TOBLER 2) 10)
DR. ROLAND BURKHALTER
PETER ENDERLI 9) 10)
DR. OLIVER KÜNZLER
ANDREA SPÄTH
THOMAS SCHÄR, LL.M.
DR. GAUDENZ SCHWITTER
KARIN GRAF, LL.M.
NICOLÁS ARIAS 7) 8) 10)
VIVIANE GEHRI-BURKHARDT
LUDWIG FÜRGER 8) 10)
MILENA MÜNSTERBURGER, LL.M.
PLACIDUS PLATTNER
ROBERT FRHR. VON ROSEN 3)
STEFAN BOSSART
MARCO KAMBER
JÖRG HÜCHTING 7) 10)
DR. MICHAEL ISLER
FRANZISKA RHINER
VANESSA SCHMIDT, LL.M.
ANNETTE DALCHER
DOMINIK LEIMGRÜBER
MANUEL MOHLER
STEFAN FINK
SAMUEL LIEBERHERR
SIMON KOHLER
MICHAEL GRIMM
MARCO BORSARI, LL.M.
NICOLE BOSSHARD
REGULA SCHRANER
CHRISTOPH ZOGG
EVA SCHULD
CÉCILE MATTER
SARAH HILBER
PASCAL STOLL
KONSULENTEN
PROF. DR. FELIX UHLMANN, LL.M.
PROF. DR. MARC-ANDRÉ RENOLD
DR. JÜRIG RIEBEN
STEPHAN WERTHMÜLLER 7) 10)

WWW.WENGER-PLATTNER.CH

**SAirLines in debt restructuring liquidation;
Circular no. 14**

Dear Sir or Madam,

This circular provides information on the current status of the SAirLines debt restructuring liquidation since April 2010, as well as on the further course of the proceedings over the coming months.

I. REPORT ON ACTIVITIES AS OF 31 DECEMBER 2010

After having been acknowledged and approved by the Creditors' Committee on 16 March 2011, the eighth Liquidators' report on activities for 2010 has been submitted to the debt restructuring judge at the District Court of Zürich. The report on activities is available for inspection by creditors at the offices of the Co-Liquidator Karl Wüthrich at Wenger Plattner, Seestrasse 39, Goldbach Center, 8700 Küsnacht, until 27 May 2011. Appointments should be made in advance with Christian Rysler (phone: +41 43 222 38 00).

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

BASEL: AESCHENVORSTADT 55, CH-4010 BASEL, TELEFON +41 (0)61 279 70 00, TELEFAX +41 (0)61 279 70 01
BERN: JUNGFRAUSTRASSE 1, CH-3000 BERN 6, TELEFON +41 (0)31 357 00 00, TELEFAX +41 (0)31 357 00 01
GENÈVE: 11, RUE DU GÉNÉRAL DUFOUR, 1204 GENÈVE, TELEFON +41 (0)22 800 32 70, TELEFAX +41 (0)22 800 32 71

ALLE ANWÄLTE SIND AN IHREM STANDORT IM ANWALTSREGISTER BZW. IN DER EU/EFTA ANWALTSLISTE EINGETRAGEN
1) AUCH NOTAR IN BASEL 2) INHABER ZÜRCHER NOTARPATENT 3) DEUTSCHER RECHTSANWALT 4) FACHANWÄLTIN SAV ERBRECHT
5) FACHANWALT SAV BAU- UND IMMOBILIENRECHT 6) FACHANWÄLTIN SAV ARBEITSRECHT 7) DIPL. STEUEREXPERTE
8) DIPL. WIRTSCHAFTSPRÜFER 9) EIDG. DIPL. IMMOBILIENREUHÄNDER 10) ALS RECHTSANWALT NICHT ZUGELASSEN

II. OVERVIEW OF THE LIQUIDATION PROCESS

1. Activities of the Liquidators

During the year just ended, the Liquidators' main focus rested on the pursuit of pending actions brought by creditors to contest the schedule of claims (section III/4 below), defending the estate against guarantee claims in connection with the sales of the Nuance Group and Avireal AG and the pursuit of an avoidance action initiated (section V below). Investigations relating to the responsibility of directors and officers were also continued.

2. Activities of the Creditors' Committee

The Creditors' Committee held no meetings in 2010.

III. ASSET STATUS OF SAIRLINES AS OF 31 DECEMBER 2010

1. Introductory remark

Enclosed is a report on the liquidation status of SAirLines as of 31 December 2010 (Enclosure 1). The report contains a statement of assets and liabilities of SAirLines in debt restructuring liquidation as of 31 December 2010 according to present information.

2. Assets

Pending apportionment of proceeds from the sale of Swissport, Restorama, RailGourmet, Gate Gourmet and Nuance: It was not yet possible in 2010 to apportion the proceeds from the sales of the Swissport Group, the Gate Gourmet Group and the Nuance Group. Efforts will, however, be made to resolve these outstanding matters in the course of this year.

As-yet unrealised assets: This item still consists primarily of claims against former Swissair Group companies and of shareholdings and securities held by SAirLines. Furthermore, any responsibility and avoidance claims are carried pro memoria.

3. Debts incurred in the course of the liquidation process

Accounts payable: The accounts payable reported as of 31 December 2010 relate to costs incurred during debt restructuring liquidation.

Provisions for first interim payment: The liquidation status of SAirLines as of 31 December 2010 includes the sum of CHF 340,592,585 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 given the Liquidators payment instructions, or for payments that could not be effected for other reasons. An amount of CHF 46,922,944 is for interim payments for claims for which an action to contest the schedule of claims is pending. The remainder of the provision – CHF 290,890,196 – is for claims that are still suspended at present. These provisions that have been made guarantee the maximum amount of the first interim payment for all claims that have not yet been settled.

4. Creditors' claims

4.1 Introductory remarks

The enclosed overview of the schedule of claims proceedings (Enclosure 2) states the current total of claims that have been registered in the respective classes, those claims that have been recognised, those that have been definitively rejected, those that are in dispute (actions to contest the schedule of claims) and those that are still suspended. The claims with preferential rights 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, are still subject to change as efforts to settle the schedule of claims proceed. Changes occurred in 2010 only to second-class and third-class claims in respect of which actions to contest the schedule of claims are pending.

4.2 *Action contesting the schedule of claims filed by the Belgian government*

In the action contesting the schedule of claims filed by the Belgian government and companies controlled by it, the plaintiffs submitted a reply on 16 April 2010. SAirLines submitted its rejoinder on 11 November 2010. The District Court of Zürich dismissed the action in its entirety in its decision dated 22 February 2011. The plaintiffs have filed an appeal against this decision with the High Court of the Canton of Zürich.

4.3 *Action contesting the schedule of claims filed by Sabena S.A.*

The action contesting the schedule of claims filed by Sabena S.A. was continued with the reply submitted by Sabena S.A. on 15 March 2010. On 6 July 2010, SAirLines submitted its rejoinder. The District Court of Zürich dismissed the action in its entirety in its decision dated 22 February 2011. Sabena S.A. has filed an appeal against this decision with the High Court of the Canton Zürich.

4.4 *Actions in Belgium*

In parallel proceedings initiated by the Belgian government and Sabena S.A. et al against SAirGroup and SAirLines in Belgium, the Court of Appeal in Brussels issued an interim judgment on 27 January 2011. On the basis of this decision, SAirGroup and SAirLines are held jointly and severally liable for the payment of damages of EUR 224,891.92 and translation costs of EUR 58,384.66 to the Société Fédérale de Participations et d'Investissements, a company controlled by the Belgian government, and for the payment of damages of EUR 18,290,800.60 to Sabena S.A. The decision is not yet legally final. The courts will decide if and to what extent this decision will have an influence on the outcome of the actions to contest the schedule of claims brought by Sabena S.A. and the Belgium government in Switzerland.

4.5 *The action to contest the schedule of claims filed by Société d'Exploitation AOM - Air Liberté*

The action to contest the schedule of claims filed by Société d'Exploitation AOM - Air Liberté against Holco S.A. and SAirLines was dismissed by the District Court of Zürich with its decision of 12 March 2010. Société d'Exploitation AOM - Air Liberté appealed against the decision. With its statement on the grounds for the appeal, the plaintiff withdrew its appeal against SAirLines but maintained the appeal against Holco S.A. On 4 February 2011, the High Court of the Canton of Zürich formally refused to consider the action filed by Société d'Exploitation AOM - Air Liberté against Holco S.A. on the grounds that the action could not be pursued within the scope of proceedings for contesting the schedule of claims. SAirLines filed a civil appeal against this decision with the Federal Supreme Court. The proceedings are still pending.

4.6 *Conclusion*

As of the end of 2010, actions contesting the schedule of claims in the total amount of CHF 977 million were still pending.

5. Estimated dividend

The disposable assets reported in the liquidation status give a maximum dividend of 20.3%, providing all of the still pending actions to contest the schedule of claims are dismissed and no more than 50% of the suspended claims have to be recognised. Should all of the actions be upheld and the suspended claims have to be recognised in full, however, the minimum dividend would be 10.1%. Of this, 4.8% has already been paid out by way of the first interim payment. The future dividend that may be expected, therefore, is between 5.3% and 15.5%.

IV. REALIZATION OF ASSETS

The Liquidators are pushing ahead with the collection of claims. In 2010 payments totaling CHF 5 million were added to the estate's assets.

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

A legally binding decision regarding the avoidance action filed by SAirLines against Prop Leasing and Trading Company Limited ("PLTC") has still to be made. The Commercial Court of the Canton of Zürich dismissed the avoidance action filed by SAirLines in its decision dated 13 December 2007. Following a complaint by SAirLines, the Federal Supreme Court overruled the judgment of the Commercial Court on 17 November 2009 and referred the matter for determining the legally relevant circumstances of the case to the Commercial Court. The Commercial Court subsequently approved the avoidance action filed by SAirLines in its judgment of 16 November 2010 and ordered PLTC to pay SAirLines EUR 1,324,601.50 and USD 3,174,282.85 plus 5% interest from 20 June 2005. PLTC has filed a nullity appeal against this decision with the Court of Appeal of the Canton of Zürich. The Court of Appeal decision is still pending.

VI. PLANNED NEXT STEPS IN THE PROCESS

The Liquidators' activities will concentrate on ongoing work to settle liabilities as well as on the investigations into responsibility claims. It is not possible at present to estimate how long it will take to complete the liquidation.

It is planned that a further interim payment of at least 2% will be paid out in 2011 to creditors with third-class claims.

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 2012.

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 2010
 - Summary of schedule of claims status

www.liquidator-swissair.ch

**Hotline SAirLines
in debt restructuring liquidation**

Deutsch: +41-43-222-38-30

Français: +41-43-222-38-40

English: +41-43-222-38-50

LIQUIDATION STATUS AS OF 31 December 2010

| | Total | S Air Logistics AG | SAirLines (incl S Air Services and S Air Relations) |
|--|--------------------|-------------------------------|--|
| | CHF | CHF | CHF |
| ASSETS | | | |
| Liquid funds | | | |
| UBS AG CHF | 7'742 | - | 7'742 |
| UBS AG USD | 808 | - | 808 |
| Credit Suisse | 143'138 | | 143'138 |
| ZKB CHF | 565'040'699 | 93'378'459 | 471'662'240 |
| ZKB USD | 87'886 | 16'256 | 71'630 |
| Fixed-term deposits | - | | - |
| Total liquid funds | 565'280'273 | 93'394'715 | 471'885'558 |
| Liquidation positions | | | |
| Accounts receivable | 48'865 | 10'938 | 37'927 |
| Advance on legal costs | 472'600 | | 472'600 |
| Open apportionment of proceeds and escrow accounts from the sale of Swissport, Restorama, RailGourmet, Gate Gourmet and Nuance | 49'842'201 | | 49'842'201 |
| Receivables from third parties | 2'663'148 | 40'002 | 2'623'146 |
| Shareholdings, securities | 54'960'007 | - | 54'960'007 |
| Responsibility claims | p.m. | p.m. | p.m. |
| Avoidance claims | p.m. | - | p.m. |
| Total liquidation positions | 107'986'821 | 50'940 | 107'935'881 |
| TOTAL ASSETS | 673'267'094 | 93'445'655 | 579'821'439 |
| LIABILITIES | | | |
| Debts of the estate | | | |
| Accounts payable | 458'364 | 150'000 | 308'364 |
| 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 | 340'592'585 | 4'057'738 | 336'534'847 |
| Total debts of the estate | 347'283'449 | 6'077'738 | 341'205'711 |
| TOTAL DISPOSABLE ASSETS | 325'983'645 | 87'367'917 | 238'615'728 |

Summary of schedule of claims status

| 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 | - | 73'777'050.65 | 9'936'376.19 | 5.5% | 94.5% | 94.5% | 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% |
| Preferential rights to the corporate assets of S Air Services AG | 44'747'368.51 | 4'429'846.30 | - | 40'204'662.61 | 112'859.60 | 100% | - | - | 100% | 100% | 100% | 100% |
| First class | 91'709'000.29 | - | - | - | 91'709'000.29 | 100% | - | - | 100% | 100% | 100% | 100% |
| Second Class | 6'767.50 | 6'767.50 | - | - | - | 100% | - | - | 100% | 100% | 100% | 100% |
| Third Class ¹⁾ | 65'470'710'388.82 | 849'411'582.73 | 977'561'332.40 | 2'999'807'929.73 | 60'643'929'543.96 | 4.8% | 5.3% | 15.5% | 10.1% | 10.1% | 20.3% | 20.3% |
| Total | 65'933'342'440.64 | 858'310'560.78 | 977'561'332.40 | 3'216'426'658.05 | 60'881'043'889.41 | | | | | | | |

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