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**Unofficial Translation
of German Original**

To the creditors of SAirLines AG
in debt restructuring liquidation

Küsnacht, April 2014 WuK/FiS

**SAirLines AG in debt restructuring liquidation;
Circular no. 19**

Dear Sir or Madam

This circular provides information on the current status of the SAirLines AG debt restructuring liquidation proceedings, as well as on how these proceedings are scheduled to progress over the coming months.

I. REPORT ON ACTIVITIES AS OF 31 DECEMBER 2013

After having been acknowledged and approved by the Creditors' Committee, the eleventh of the Liquidators' reports on activities for 2013 has been submitted to the debt restructuring judge at the District Court of Zürich on 17 March 2014. The report 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 12 May 2014. 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.

II. OVERVIEW OF THE LIQUIDATION PROCESS

1. Activities of the Liquidators

During the year 2013, the Liquidators' main focus rested on the pursuit of pending actions brought by creditors to contest the schedule of claims (cf. sections III.4.2. and 4.3. below) and the conclusion of an agreement on the disbandment of the former Swissair VAT group (cf. section IV.2. below) as well as effecting a third interim payment of 3.5% to creditors with recognised third-class claims (see circular no. 18, sections I. and II.).

2. Activities of the Creditors' Committee

The Creditors' Committee held no meetings in 2013. It did, however, pass resolutions by circular motion on two proposals submitted by the Liquidators.

III. ASSET STATUS OF SAIRLINES AG AS OF 31 DECEMBER 2013

1. Introductory remark

Enclosed is a report on the liquidation status of SAirLines AG as of 31 December 2013 (Enclosure 1). It contains a statement of assets and liabilities of SAirLines AG as of 31 December 2013 according to present information.

2. Assets

Pending apportionment of proceeds from the sale of Restorama/Rail-Gourmet and AFS: It has not yet been possible to close the escrow accounts pertaining to Restorama/RailGourmet (cf. circular no. 10, section IV.2.). For this reason, the item "Pending apportionment of proceeds and escrow accounts from the sale of Restorama/Rail-Gourmet and AFS" is listed in the liquidation status in the amount of CHF 14,875,452.

As-yet unrealised assets: This item still consists primarily of claims against former Swissair group companies and shareholdings held by

SAirLines AG. Furthermore, any responsibility claims are included in the liquidation status pro memoria.

3. Debts incurred in the course of the liquidation process

Accounts payable: The accounts payable reported as at 31 December 2013 relate to costs incurred during debt restructuring liquidation.

Provision for first and second interim payments: The liquidation status of SAirLines AG as of 31 December 2013 includes the sum of CHF 340,326,826 as a provision for the first interim payment. Of this amount, CHF 2,726,058 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. A further CHF 46,922,944 concerns interim payments for claims for which an action to contest the schedule of claims is pending. The remainder of the provision – CHF 290,677,824 – is for claims that are still suspended at present.

With respect to the second interim payment, a provision of CHF 174,676,761 was included in the liquidation status of SAirLines AG as at 31 December 2013. Of this amount, CHF 1,834,367 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. A further CHF 25,416,595 is for interim payments for claims for which an action to contest the schedule of claims is pending. The remainder of the provision – CHF 147,425,799 – relates to claims that are still suspended at present.

The provisions that have been made guarantee the maximum amounts for both interim payments 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 according to their classes and specifies those that have been registered, recognised, definitively re-

jected, and those that are in dispute (actions to contest the schedule of claims) or still suspended. The amounts of 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.

As of the end of 2013, two actions contesting the schedule of claims in the total amount of CHF 977 million were still 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 (cf. circular no. 16, section III.4.2.), SAirLines AG filed its response to the appeal with the High Court of the canton of Zürich on 24 May 2012. By its ruling dated 28 May 2013, the High Court rejected the claim. The Belgian government and companies it controls filed a civil appeal against the ruling of the High Court before the Swiss Federal Supreme Court on 1 July 2013. To date, no deadline has been set for SAirLines AG to respond to the appeal.

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

In the action contesting the schedule of claims filed by Sabena S.A. in liquidation (hereinafter referred to as "Sabena"; see circular no. 17, section III.4.3.), which is pending before the Swiss Federal Supreme Court, no deadline still has been set for SAirLines AG to respond to the appeal in 2013.

4.4 Civil actions in Belgium

In July 2011, SAirGroup AG and SAirLines AG (as well as other parties involved) filed an appeal with the Belgian Court of Cassation against the ruling of the Brussels Court of Appeals dated 27 January 2011 (see circular no. 16, section III.4.4). A ruling on this appeal is still pending.

4.5 *Exequatur proceedings*

In the exequatur proceedings (see circular no. 16, section III.4.5., and circular no. 17, III.4.5.), SAirGroup AG and SAirLines AG filed a civil appeal on 12 December 2012 before the Swiss Federal Supreme Court against the exequatur ruling of the High Court of the Canton of Zürich. A ruling on this appeal is still pending.

5. Estimated dividend

The disposable assets reported in the liquidation status give a maximum dividend of 28.9%, provided all of the pending actions to contest the schedule of claims are dismissed and no more than 50% of 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 11.8%. Of this, 7.4% has already been paid out in the first and second interim payments. The future dividend that may be expected, therefore, is between 4.4% and 21.5%.

IV. REALISATION OF ASSETS

1. General

The Liquidators continued to collect accounts receivable from Switzerland and from abroad during the period under review, as well as realising further assets. As a result, an amount of CHF 163,794,785 was collected. This amount was mainly raised from the repayment of the share capital and the payment of a first liquidation dividend of T Group AG in liquidation (formerly SR Technics Group AG), respectively, to its shareholder SAirLines AG in the amount of CHF 110 million. As a result, the liquidation of T Group AG is largely completed. Furthermore, approximately CHF 53 million from the closing of the escrow account pertaining to the Nuance group were paid to SAirLines AG (on this point, cf. circular no. 17, section IV.3.). Recently, an agreement on the disbandment of the former Swissair VAT group was concluded (cf. section IV.2. below).

2. Disbandment of the Swissair VAT group

From 1 January 1999 to 31 March 2002, the Swissair group was treated as a single group for the purpose of VAT. SAirGroup was the parent company, and it filed quarterly statements for VAT for the entire group with the Swiss Federal Tax Administration ("FTA"). The statement contained the declaration and payment of VAT and the claim for pre-tax credits to be refunded by the FTA. Given the financial difficulties of the Swissair group, the FTA refused to reimburse any existing pre-tax credits from the second quarter of 2001 onwards. These credits amounted to around CHF 55 million for the period from the second quarter of 2001 up to and including the first quarter of 2002. The Swissair VAT group was dissolved as of 31 March 2002.

SAirGroup AG subsequently demanded the payment of the pre-tax credits by the FTA. With decision of 21 December 2004, the FTA refused to make the payment, claiming it had the right to set off this amount against the Swiss federal government's claims arising from the loan granted to Swissair in October 2001. However, the Swiss Federal Administrative Court as well as the Federal Supreme Court in its ruling of 10 March 2010 held that the pre-tax credits were due to all group members. The courts therefore rejected the right of set-off claimed by the FTA.

The ruling by the Federal Supreme Court meant that group companies could only collectively claim the pre-tax credits. The group companies therefore had to reach a consensus regarding the apportionment and payment of the pre-tax credits. SAirGroup AG submitted a corresponding agreement to the group members ("General Agreement"). This reproduced the content of the bilateral agreements entered into earlier between SAirGroup AG and other group members. After prolonged negotiations, agreement was reached between all the parties. The General Agreement was concluded on 13 May 2013.

The Creditors' Committee of SAirLines AG has approved the conclusion of the General Agreement. According to the General Agreement, SAirLines AG is entitled to pre-tax credits in the amount of CHF 396,864.45 plus interest. The FTA paid the Swissair VAT group pre-tax credits ex-

cluding interest in March 2014. SAirLines AG has since received its share.

V. PLANNED NEXT STEPS IN THE PROCESS

The Liquidators' activities will concentrate on ongoing work to settle liabilities as well as on investigating, and if necessary enforcing, responsibility claims. It is not possible at present to estimate how long it will take to complete the liquidation.

The 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 spring 2015 at the latest.

Sincerely

SAirLines AG in debt restructuring liquidation

The Liquidators

Karl Wüthrich

Roger Giroud

- Enclosures:
1. Liquidation status of SAirLines AG as of 31 December 2013
 2. Overview of the schedule of claims proceedings of SAirLines

www.liquidator-swissair.ch

**Hotline SAirLines AG
in debt restructuring liquidation**

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

LIQUIDATION STATUS AS OF 31 December 2013

	Total	S Air Logistics AG	SAirLines (incl S Air Services and S Air Relations)
	CHF	CHF	CHF
ASSETS			
Liquid funds			
UBS AG CHF	49'535	-	49'535
UBS AG USD	44'589	-	44'589
ZKB CHF	704'386'077	93'424'500	610'961'577
ZKB USD	24'906	-	24'906
Total liquid funds	704'505'107	93'424'500	611'080'607
Liquidation positions			
Accounts receivable	174'766		174'766
Advance on legal costs	20'500	-	20'500
Open apportionment of proceeds and escrow accounts from the sale of Swissport, Restorama, RailGourmet, Gate Gourmet and Nuance	14'875'452		14'875'452
Receivables from third parties	2'663'148	40'002	2'623'146
Shareholdings, securities	12'200'006	-	12'200'006
Responsibility claims	p.m.	p.m.	p.m.
Avoidance claims	p.m.	-	p.m.
Total liquidation positions	29'933'872	40'002	29'893'870
TOTAL ASSETS	734'438'979	93'464'502	640'974'477
LIABILITIES			
Debts of the estate			
Accounts payable	170'328	-	170'328
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	340'326'826	4'048'051	336'278'775
Provision, 2nd interim payment	174'676'761	69'552'871	105'123'889
Total debts of the estate	521'406'414	75'470'922	445'935'492
TOTAL DISPOSABLE ASSETS	213'032'565	17'993'580	195'038'985

Overview of the schedule of claims proceedings of SAirLines

Category	Registered	Schedule of claims				Dividend				
		Recognized	Appeal lodged	Decision suspended	Rejected	interim payments	Future Dividend		Total	
	Amount in CHF	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	83'906'150.39	362'601.33	-	73'600'922.14	9'942'626.92	100%	-	-	100%	100%
Preferential rights to the corporate assets of S Air Relations AG	242'318'436.00	4'292'146.45	-	102'670'180.18	135'356'109.37	100%	-	-	100%	100%
Preferential rights to the corporate assets of S Air Services AG	44'748'165.51	4'439'788.42	-	40'194'187.91	114'189.18	100%	-	-	100%	100%
First class	91'709'000.29	-	-	-	91'709'000.29	100%	-	-	100%	100%
Second Class	6'767.50	6'767.50	-	-	-	100%	-	-	100%	100%
Third Class ¹⁾	65'471'365'318.57	852'670'454.74	977'561'332.59	2'995'112'590.13	60'646'020'941.11	7.4%	4.4%	21.5%	11.8%	28.9%
Total	65'934'053'838.26	861'771'758.44	977'561'332.59	3'211'577'880.36	60'883'142'866.87					

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