

**Unofficial Translation
of German Original**

Registered

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

Küsnacht, 15 April 2008 WuK/fee

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**Swissair Swiss Air Transport Company Ltd in debt restructuring
liquidation; Circular No. 13**

Ladies and Gentlemen

This Circular provides information on the progress of the Swissair Swiss Air Transport Company Ltd ("Swissair") debt restructuring liquidation proceedings since the beginning of February 2007, as well as on the next steps planned over the coming months.

**I. PUBLICATION OF SUPPLEMENT I TO THE SCHEDULE OF CLAIMS
AND NEW PUBLICATION OF SCHEDULE OF CLAIMS FOR
INSPECTION BY CREDITORS**

1. Publication of Supplement I to the schedule of claims

The schedule of claims was published for inspection by creditors in February 2007. It had not been possible at this point to make final decisions with regard to all registered claims, which is why certain decisions had been suspended. In the interim, final decisions have been made with regard to some of the suspended claims. A Supplement I to the schedule of claims of February 2007 will therefore be published.

2. New publication of schedule of claims

After the schedule of claims had been published for inspection in February 2007, several creditors lodged actions against Swissair to contest the schedule of claims. Some of these actions have since been settled, with Swissair recognizing some of the claims that were the subject of the actions. A new version of the schedule of claims of February 2007 is to be published to take account of these newly recognized claims. The individual recognized claims are listed in a general notice on the new publication of the schedule of claims and are open to inspection by creditors.

3. Inspection by creditors

Supplement I to the schedule of claims and the new publication of the schedule of claims are open to inspection by creditors between 16 April and 6 May 2008 at the offices of the Liquidator at Wenger Plattner, Seestrasse 39, Goldbach Center, 8700 Küsnacht. Please make an appointment with Mr Christian Rysler, on +41 43 222 38 00.

Actions to contest Supplement I to the schedule of claims and the new publication of the schedule of claims must be lodged with the single judge in accelerated proceedings at the District Court of Bülach, Spitalstrasse 13, 8180 Bülach, within 20 days of official notice in the Swiss Official Gazette of Commerce announcing that the said documents are open to inspection. The respective official notice in the Swiss Official Gazette of Commerce will be made on 16 April 2008. The 20-day period will thus run until 6 May 2008 (date of postmark by a Swiss post office). If no actions are lodged, supplement I to the schedule of claims and the new publication of the schedule of claims will become final.

II. INTERIM PAYMENT

Preparations for the initial interim payment, as announced in Circular No. 12 of December 2007, have been completed. Enclosed with this Circular is the corresponding special notice, which gives more procedural details. Payments will be made at the earliest from mid-May

2008. The large number of creditors means that executing these payments will take some time. The payments will be made pursuant to the order of receipt of the signed payment statement.

III. REPORT ON ACTIVITIES AS AT 31 DECEMBER 2007

Having been acknowledged and approved by the Creditors' Committee on 5 March 2007, the fifth of the Liquidator's reports on activities for 2007 has been submitted to the debt restructuring judge at the district court of Bülach. The report is open to inspection by creditors at the Liquidator's offices at Wenger Plattner, Goldbach Center, See-strasse 39, 8700 Küsnacht, until 6 May 2008. Please make an appointment with Mr Christian Rysler, telephone +41 43 222 38 00.

IV. OVERVIEW OF THE LIQUIDATION PROCESS

1. Activities of the Liquidator

Creditors were informed in Circulars 9 to 12 of the progress of liquidation during 2007. The activities of the Liquidator and Deputy Liquidator in 2007 concentrated on settling liabilities, including defending the liquidation estate in legal actions brought by creditors against the schedule of claims (see Section VI below), pursuing the avoidance claims that had been instigated (see Section VIII below), and the sale of real estate abroad. A number of assets could also be realised (see Section V below).

2. Activities of the Creditors' Committee

The Creditors' Committee held four meetings in the course of 2007. At its meetings, the Committee discussed the various proposals submitted by the Liquidator or Deputy Liquidator, and passed resolutions accordingly. Work in connection with settling liabilities proved particularly difficult and time-consuming, as many complex claim relationships had to be assessed.

V. REALIZATION OF ASSETS

1. General

Creditors were informed in Circulars 10 and 11 of the most important transactions in connection with the liquidation of assets. The Liquidator also pressed ahead in 2007 with the collection of outstanding accounts receivable arising from flight operations, and of loan claims in Switzerland and abroad.

2. Settlement of reciprocal claims involving American Airlines

Even after the debt restructuring moratorium had been granted, the set-off of accepted transport documents and other services between Swissair and American Airlines was essentially routed through the IATA Clearing House ("ICH"). After flight operations had ceased, Swissair announced its withdrawal from the ICH in mid-April 2002. Swissair, therefore, submitted no further statements to the ICH from June 2002.

Discussions were subsequently held between Swissair, the ICH and various airlines on the set-off of reciprocal claims. In this connection Swissair has a lawsuit against IATA pending in Montreal. The grounds for this action are that IATA has allegedly frozen Swissair credits of approximately USD 13.6 million from the Billing and Settlement Plan used to settle airline ticket sales.

In the opinion of Swissair, it held claims of USD 2,313,370 against American Airlines. Meanwhile, Swissair recognized American Airlines counterclaims of USD 1,424,260. Swissair thus maintained that there was a balance in its favour of USD 889,110. American Airlines disputed Swissair's claims totalling USD 596,360.48 and filed additional counterclaims of USD 108,475. While drawing up the schedule of claims for publication, the Liquidator rejected the American Airlines claims and asserted the Swissair claim of USD 889,110. In order to protect its interests, American Airlines then lodged a precautionary action to contest the schedule of claims.

Before any further legal steps were taken, the parties were able to reach the following settlement in respect of their reciprocal claims.

- American Airlines pays Swissair USD 750,000.
- American Airlines withdraws its precautionary action to contest the schedule of claims.
- Once this agreement is fulfilled, the parties declare all claims to have been settled.

The Creditors' Committee has approved the settlement, which has since been executed.

VI. SETTLEMENT OF LIABILITIES / SCHEDULE OF CLAIMS

Creditors were informed in Circular 12 of December 2007 of the status of work to draw up the schedule of claims as of mid-December 2007. The current situation is as follows:

First-class claims: Of the 181 actions originally lodged to contest the schedule of claims and totalling CHF 707,155,643.06, 21 had been settled by the beginning of March 2008. There are still 160 actions, worth a total of CHF 29,297,242.31, pending before the District Court of Bülach.

Twelve actions have been withdrawn, a settlement has been reached in five cases, one has been resolved by the recognition of the underlying claim, and three actions were found to be without grounds. Of the total claims of CHF 677,858,400.75 that have been settled in these cases, only an additional CHF 86,320.55 had to be admitted as privileged claims.

Third-class claims: Of the 51 actions totalling CHF 8,316,079,403.93 that were originally lodged to contest the schedule of claims, 16 claims with a combined value of CHF 108,982,638.78 were still pending before the District Court of Bülach at the beginning of March 2008.

Eight actions have been withdrawn, a settlement has been reached in seventeen cases, one has been resolved by the recognition of the underlying claim, and nine actions were found to be without grounds or have not been pursued. Of the total claim amount of CHF 8,207,096,765.15 that has been adjusted in these cases, an

additional CHF 12,027,582.93 had to be admitted as unconditional and CHF 35,861,138.30 as conditional third-class claims.

The recognized claims of approximately CHF 3 billion include conditional claims of CHF 1,172,885,747.25 from International Lease Finance Corporation and Sierra Leasing Limited which originate from unfulfilled lease agreements. In February 2008, an agreement was reached with both creditors about the set-off of the earnings generated since 1 April 2002 from the onward leasing of the aircraft in question. The claims are to be reduced to CHF 507,607,995.28 and included unconditionally in the schedule of claims at this amount. Furthermore, International Lease Finance Corporation withdraws its action to contest the schedule of claims of approximately CHF 50 million. The agreement has been approved by the Creditors' Committee.

Next steps: Further court cases are scheduled for the next few weeks and months. Working together with the Creditors' Committee, rapid progress can therefore be made with adjusting the schedule of claims.

VII. ASSET STATUS OF SWISSAIR AS AT 31 DECEMBER 2007

1. Introductory remark

A report on the liquidation status of Swissair as at 31 December 2007 is attached to this Circular. It contains a statement of the assets of Swissair at year-end, according to present information.

2. Assets

As-yet unrealized assets: These consist, in the main, of bank deposits abroad which are still frozen, outstanding accounts receivable arising from flight operations, claims against former companies of the Swissair Group, Swissair shareholdings and foreign real estate, where the latter belongs to Swissair. Any responsibility and avoidance claims are listed pro memoria.

3. Debts of the estate

Accounts payable: The accounts payable reported as at 31 December 2007 relate to costs incurred during the debt restructuring liquidation.

Provision for outstanding statements: The statement on the loan from the Swiss Confederation was finalized by the Liquidator during 2007. This statement is now being reviewed by the Creditors' Committee, and is due to be submitted to the Swiss government by mid-2008. The Confederation's claim of CHF 1.45 billion is listed pro memoria in the schedule of claims. The claim amount to be admitted depends on how the terms of the loan are ultimately handled. If it is not possible for Swissair and the Confederation to reach an agreement, the matter would have to be settled in administrative proceedings. In negotiations with Swisscargo AG in debt restructuring liquidation, an agreement has been reached in principle about the settlement of reciprocal claims. This agreement also affects the settlement of claims with the Confederation, however. This means that reciprocal claims with Swisscargo AG cannot be settled finally until the statement on the Confederation loan has been finalized. The liquidation status report as at 31 December 2007 continues to show provisions for open statements of CHF 83.12 million.

4. Creditors' claims

Please refer to the current summary of creditors' claims (Enclosure 2) and Section IV above for the status of work to adjust the schedule of claims.

5. Estimated dividend

On the basis of the disposable assets shown in the liquidation status as at 31 December 2007, the maximum dividend for third-class claims should be 12.4%, provided no actions to contest the schedule of claims are lodged against the rejection of registered claims or provided any such actions are unsuccessful. This calculation factors in 60% of the third-class claims that have been suspended or included pro memoria in the schedule of claims. Should all of the actions be admitted and all

suspended claims have to be recognized, however, the minimum dividend would be 8.8%.

VIII. AVOIDANCE CLAIMS

A number of counterparties have objected that avoidance claims had been filed too late. They contend that the applicable time limit under Art. 292 of the Federal Debt Enforcement and Bankruptcy Law (DEBL) should have begun as soon as the debt restructuring moratorium was granted, rather than when the debt restructuring agreement was confirmed. As a result, the parties claimed, it was now too late for any avoidance claims. In its decision of 22 June 2007, the Commercial Court of Canton Zurich ("Commercial Court") ruled in the case of Exxon Mobil Aviation International Ltd that the relevant time limit did not begin until the debt restructuring agreement was confirmed in May 2003. The claim had, therefore, been filed before the deadline. The counterparty lodged a civil appeal against this decision with the Federal Supreme Court ("Supreme Court"). The Supreme Court's ruling of 4 February 2008 rejected this appeal and upheld the Commercial Court's prior judgment. It is thus established that Swissair filed its avoidance claims within the set time limits.

Where specific cases are concerned, the Commercial Court has issued rulings on two avoidance claims. The Commercial Court rejected the approx. CHF 21.8 million claim against Flughafen Zürich AG in its decision of 19 November 2007. In the Commercial Court's view, the payment to Flughafen Zürich AG on 4 October 2001 was not made with any intention on the part of Swissair to harm creditors' interests. Swissair has lodged a civil appeal against the decision with the Federal Supreme Court. Meanwhile, the Commercial Court's decision of 17 January 2008 upheld the claim of around USD 380,000 against Hong Kong Sinopec/Caosc Co. Ltd. It concluded that the payments of 2 and 4 October 2001 settled accounts payable that were not yet due, and thus held that the conditions for contesting payment on the grounds of overindebtedness were met.

In Circular 10 of 16 May 2007 (Section VI.3.5), you were notified that the *Tribunal de Première Instance* in Geneva had upheld the claim of

USD 4.3 million against Air Total (Suisse) SA and Air Total International SA. Following an appeal by the respondents, this decision was overturned by a ruling from the Cour de Justice in Geneva on 22 June 2007, which rejected the claim. Swissair has lodged a civil appeal with the Federal Supreme Court against this decision by the Cour de Justice in Geneva.

It is thought that the Supreme Court will rule on the pending appeals in civil matters concerning avoidance actions in the course of 2008.

IX. PLANNED NEXT STEPS IN THE PROCESS

The next phase of proceedings will involve finalizing the schedule of claims and liquidating the remaining assets, specifically real estate in Switzerland and abroad.

The liquidation bodies will also conclude their investigations into responsibility claims and institute any related legal proceedings. Avoidance claims that are still pending will continue to be pursued. It is not possible at present to estimate how long it will take before these two issues are settled.

Creditors will be provided with further information in a Circular that is planned for the autumn of 2008 at the latest.

Yours sincerely

Swissair Swiss Air Transport Company Ltd in debt restructuring liquidation

Liquidator

Karl Wüthrich

- Encs:
1. Liquidation status of Swissair Swiss Air Transport Company Ltd in debt restructuring liquidation, as at 31 December 2007
 2. Summary of schedule of claims status

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

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LIQUIDATION STATUS AS OF 31 DECEMBER 2007

	31.12.2007 CHF	31.12.2006 CHF	Change CHF
ASSETS			
Liquid funds			
Postal cheque Switzerland	887	22'494	-21'607
UBS ZRH CHF ¹⁾	228'104'085	208'338'890	19'765'195
UBS ZRH USD	4'782'983	2'362'145	2'420'837
UBS ZRH CHF	7'790'875	7'685'746	105'130
UBS ZRH CHF Higma	180'863	178'623	2'240
UBS-Fixed term deposits	0	150'000'000	-150'000'000
ZKB-Fixed-term deposits	160'000'000	0	160'000'000
Total liquid funds	400'859'693	368'587'898	32'271'795
Liquidation positions			
Banks/cash abroad	656'058	717'809	-61'751
Loans	57'736'239	57'736'239	0
Accounts receivable by the estate	3'074'220	1'667'991	1'406'230
Receivables from third parties	74'514'923	76'074'110	-1'559'187
Claims from proceeds of sale of operating equipment	2'650'159	3'029'135	-378'976
Real estate	p.m.	p.m.	
Participations	2'000'000	6'000'000	-4'000'000
Responsibility claims	p.m.	p.m.	
Pauliana claims	p.m.	p.m.	
Total liquidation positions	140'631'599	145'225'284	-4'593'685
TOTAL ASSETS	541'491'292	513'813'182	27'678'110
LIABILITIES			
Debts of the estate			
Accounts payable to the estate	444'576	791'121	-346'545
Provisions for liquidation costs	2'355'261	773'811	1'581'450
Provisions for outstanding statements	83'120'000	83'120'000	0
Total debts of the estate	85'919'837	84'684'932	1'234'905
TOTAL DISPOSABLE ASSETS	455'571'456	429'128'250	26'443'205

¹⁾ CHF 1'154'223.00 is assigned as collateral for contingent liabilities at UBS AG

Summary of schedule of claims status

Category	Registered Amount in CHF	Schedule of claims				Dividend	
		Recognized	Appeal lodged	Decision suspended	Rejected	minimal	maximal
		Amount in CHF	Amount in CHF	Amount in CHF	Amount in CHF		
Secured by right of lien	4'758'963.80	2'345'598.85	-	2'107'148.45	306'216.50	100.0%	100.0%
First Class	902'530'566.05	14'331'758.85	29'297'242.31	17'980'993.13	840'920'571.76	100.0%	100.0%
Second Class	756'363.60	335'280.50	-	414'747.86	6'335.24	100.0%	100.0%
Third Class ¹⁾	27'244'494'648.57	2'353'508'895.97	108'982'638.78	2'025'175'687.50	22'756'827'426.32	8.8%	12.4%
Total	28'152'540'542.02	2'370'521'534.17	138'279'881.09	2'045'678'576.94	23'598'060'549.82		

¹⁾ The third-class claims for which decisions have been suspended are factored into this calculation at 60%.