

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

Circular No. 21

www.liquidator-swissair.ch

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

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**Unofficial Translation
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Eingetragen im Anwaltsregister

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

Küsnacht, March 2015

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Swissair Swiss Air Transport Company Ltd. in debt restructuring liquidation; Circular no. 21

Dear Sir or Madam

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

I. REPORT ON ACTIVITIES AS OF 31 DECEMBER 2014

After having been acknowledged and approved by the Creditors' Committee, the twelfth Liquidator's report on activities for 2014 was submitted to the debt restructuring judge at the District Court of Bülach on 27 February 2015. The report on activities will be available for inspection by creditors at the Liquidator's offices at Wenger Plattner, Seestrasse 39, Goldbach Center, 8700 Küsnacht until 8 April 2015. Appointments are to 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 LIQUIDATOR

The activities of the Liquidator and Deputy Liquidator in 2014 were focused on the work involved in the responsibility claim action against former directors and officers of Swissair (cf. section V.2.1. below) and the efforts to settle accounts between the Swiss federal government and Swissair in respect of the loans of 5 and 25 October 2001 for CHF 1.15 billion (cf. section VI.2. below). Finally, various assets were also realised (cf. section IV below).

2. ACTIVITIES OF THE CREDITORS' COMMITTEE

The Creditors' Committee held one meeting in 2014. The Committee discussed the various proposals submitted by the Liquidator and Deputy Liquidator, respectively, and passed resolutions accordingly. It also passed a circular resolution on a proposal submitted by the Liquidator.

III. ASSET STATUS OF SWISSAIR AS OF 31 DECEMBER 2014

1. PRELIMINARY REMARKS

Enclosed is a report on the liquidation status of Swissair as of 31 December 2014 (Enclosure 1). It contains a statement of the assets of Swissair as of 31 December 2014, according to present information.

2. ASSETS

As-yet unrealised assets: This item still consists primarily of bank deposits abroad which are frozen, accounts receivable arising from flight operations, claims against former Swissair group companies, a shareholding held by Swissair (Swissair Training Center AG in liquidation), and real estate abroad (insofar as it is owned by Swissair). Furthermore, the responsibility claim being pursued through litigation (cf. section V.2.1. below) and any other responsibility claims are carried pro memoria.

3. DEBTS INCURRED IN THE COURSE OF THE LIQUIDATION PROCESS

Accounts payable: The accounts payable reported as at 31 December 2014 relate to costs incurred during debt restructuring liquidation.

Provision for open statements: A provision of CHF 350 million continues to be included in Swissair's liquidation status as at 31 December 2014 for the outstanding settlement of the federal government loans (cf. section VI.2. below).

Provision for first interim payment: Swissair's liquidation status as of 31 December 2014 includes the following provision for the first interim payment.

Reason for provision	1st interim payment in CHF
No payment instructions or payments not carried out for other reasons	78,214
Contingent claims where conditions not yet met	5,845,858
Suspended claims	43,525,453
Total provisions	49,449,525

The provision 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 (Enclosure 2) states the current total of claims according to their classes and specifies those claims that have been registered, recognised, definitively rejected, and those that are in dispute or still suspended. No actions contesting the schedule of claims were pending at the end of 2014. Various decisions with regard to claims remain suspended (cf. section VI.1. below). The claim amounts in all classes are still subject to change as efforts to settle the schedule of claims proceed.

5. ESTIMATED DIVIDEND

The disposable assets reported in the liquidation status as of 31 December 2014 give a maximum dividend of 7.6% for third-class claims. 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 suspended claims have to be recognised, however, the minimum dividend would be 6.1%. Of this, 2% has already been paid out by way of the first interim payment. The future dividend that may be expected, therefore, is between 4.1% and 5.6%.

IV. REALISATION OF ASSETS

1. GENERAL

A number of different assets were realised during the reporting period. Payments totalling CHF 3,183,400 were received by Swissair in 2014. These included payments from the agreement concluded with IATA in 2013 (cf.

Circular no. 20 of April 2014, section IV.3.) and interest-bearing profit shares from ERGO life insurance (see Circular no. 18 of May 2012, section IV.3.).

2. DISBANDMENT OF THE SWISSAIR VAT GROUP

On the basis of the agreement relating to the allocation and payment of input tax owed to the former Swissair VAT group, the Swiss Federal Tax Administration paid the input tax owing plus credit interest to SAirGroup's liquidator on 18 March and 12 June 2014. SAirGroup's liquidator then distributed the input tax amounts including credit interest to the members of the group in accordance with the agreement. Input tax totalling CHF 1,001,820 (including credit interest) was paid to Swissair on 19 March and 20 June 2014.

V. PURSUIT OF CONTESTED CLAIMS

1. AVOIDANCE CLAIMS

1.1 In general

The assertion of avoidance claims is complete with one exception (cf. section V.1.2. below).

1.2 Dor Alon Energy In Israel (1988) Ltd.

Dor Alon Energy In Israel (1988) Ltd. ("Dor Alon") was ordered in a legally binding ruling of the Zurich Commercial Court of 26 June 2009 to pay Swissair USD 339,797 plus interest at 5% since 24 May 2005. However, Dor Alon initially failed to comply with the ruling. Swissair therefore launched enforcement proceedings against Dor Alon in Israel. A settlement was reached in these proceedings whereby Dor Alon agreed to pay Swissair USD 570,000 in final settlement of all claims (apart from the claim of Dor Alon to be reinstated in the debt restructuring proceedings), divided into six monthly instalments. The settlement was approved by the Swissair Creditors' Committee. The instalments due from Dor Alon are still outstanding.

2. RESPONSIBILITY CLAIMS

2.1 Group financing

With statement of claim of 26 April 2013, Swissair lodged a responsibility claim against 14 former de jure and de facto management bodies before the Commercial Court of the Canton of Zurich. Subject matter of this litigation is the financing of SAirGroup by Swissair. The size of the claim amounts to around CHF 208 million. Presently, the defendants have until 30 November 2015 to submit their rejoinder.

2.2 Further areas of responsibility

In respect of other areas of responsibility Swissair reserves the right to take legal action against those responsible (cf. Circular no. 18 of May 2012, section V.2.).

VI. SETTLEMENT OF LIABILITIES

1. CURRENT STATUS OF SCHEDULE OF CLAIMS PROCEEDINGS

First-class claims: No actions contesting the schedule of claims were pending at the end of 2014. The decisions on registered first-class claims amounting to approximately CHF 5.2 million remain suspended.

Second-class claims: All second-class claims have been settled in full.

Third-class claims: At the end of 2014, claims totalling approximately CHF 2.0 billion remained suspended.

2. SETTLEMENT OF LOANS FROM THE SWISS FEDERAL GOVERNMENT OF CHF 1.15 BILLION

On 31 October 2011 the Swiss Federal Audit Office (SFAO) sent Swissair its audit report on the settlement of the loans from the Swiss federal government for comment. There were differences on several important points between the SFAO and Swissair in the interpretation of contract. A number of issues therefore had to be re-examined before Swissair could issue its response to the SFAO's report, which proved to be time-consuming. In February 2015 Swissair submitted to the SFAO the statement approved by the Creditors' Committee, which it regards as final. In Swissair's view the balance is an amount of CHF 130 million owing to the federal government.

VII. PLANNED NEXT STEPS IN THE PROCESS

In the coming months the first priority is to assess and settle the complex mutual claims on and due to other former Swissair companies. We will be striving to reach mutually agreed solutions. This will enable the claims that were previously suspended in the schedule of claims to be settled.

The process of selling the last remaining property in India is already well advanced. The plan is to complete it by mid-2015.

The liquidation bodies will continue the responsibility proceedings against former directors and officers of Swissair. A further focus will be the final

settlement of the Swiss federal government loans account. It is not yet possible at present to estimate how long it will take for these issues to be settled.

Depending on how the proceedings progress, creditors will continue to receive information about important developments in the form of circulars. A report on the progress of the liquidation process in 2015 will be issued by spring 2016 at the latest.

Yours sincerely,

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

Karl Wüthrich

Enclosed: 1. Liquidation status of Swissair as at 31 December 2014
2. Overview of the schedule of claims proceedings of Swissair

LIQUIDATION STATUS AS OF 31 DECEMBER 2014

	31.12.2014	31.12.2013	Change
	CHF	CHF	CHF
ASSETS			
Liquid funds			
UBS AG CHF	11'487	9'686	1'801
UBS AG USD	0	36'104	-36'104
ZKB CHF	506'393'113	504'660'993	1'732'120
ZKB EUR	202'725	153'809	48'916
ZKB USD	46'357	38'826	7'531
Total liquid funds	506'653'682	504'899'418	1'754'264
Liquidation positions			
Banks/cash abroad	1'467	3'227	-1'760
Accounts receivable by the estate	152'601	161'232	-8'631
Receivables from third parties	68'575'871	70'554'755	-1'978'884
Prepaid court expenses	6'733'409	6'733'409	0
Deposits/Guarantees	655'363	655'363	0
Claims from proceeds of sale of operating equipment	2	2	0
Real estate	1	1	0
Participations	1	1	0
Responsibility claims	p.m.	p.m.	
Total liquidation positions	76'118'715	78'107'990	-1'989'275
TOTAL ASSETS	582'772'397	583'007'408	-235'011
LIABILITIES			
Debts of the estate			
Accounts payable to the estate	1'065'283	223'292	841'991
Provision, 1st interim payment	49'449'525	49'400'672	48'853
Provisions for liquidation costs	5'000'000	2'355'261	2'644'739
Provisions for outstanding statements	350'000'000	350'000'000	0
Total debts of the estate	405'514'808	401'979'225	3'535'583
TOTAL DISPOSABLE ASSETS	177'257'589	181'028'183	-3'770'594

Overview of the schedule of claims proceedings

Category	Registered		Schedule of claims				Dividend				
	Amount in CHF	Amount in CHF	Recognized Amount in CHF	Appeal lodged Amount in CHF	Decision suspended Amount in CHF	Rejected Amount in CHF	1st interim payment	Future dividend minimal	Future dividend maximal	Total minimal	Total 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	-	5'190'363.60	879'490'322.00	100%	-	-	100%	100%
Second Class	939'006.50		932'671.09	-	-	6'335.41	100%	-	-	100%	100%
Third Class ¹⁾	27'062'407'411.15		2'407'883'495.09	-	1'916'754'467.82	22'737'769'448.24	2.0%	4.1%	5.6%	6.1%	7.6%
Total	27'970'761'148.95		2'427'865'587.43	-	1'921'944'831.42	23'620'950'730.10					

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

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