

**Unofficial Translation
of German Original**

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

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Swissair Swiss Air Transport Company Ltd. in debt restructuring liquidation; Circular no. 22

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. 2ND INTERIM PAYMENT

Owing to the current financial situation of Swissair and the fact that a substantial portion of the schedule of claims has been settled, the Liquidator and the Creditors' Committee have decided to issue a second interim payment of 6.1 % to creditors with recognised third-class claims. Preparations for this interim payment have now been completed. Enclosed with this Circular is the corresponding special notice, which gives more procedural details. The large number of creditors means that executing these payments will take some time. Payments will be made from the end of June 2016 at the earliest.

II. REPORT ON ACTIVITIES AS OF 31 DECEMBER 2015

After having been acknowledged and approved by the Creditors' Committee, the thirteenth of the Liquidator's reports on activities for 2015 was submitted to the debt restructuring judge at the District Court of Bülach on 14 March 2016. The report on activities will be available for inspection by creditors at the Liqui-

dator's offices at Wenger Plattner, Seestrasse 39, Goldbach Center, 8700 Küsnacht, until 30 May 2016. If you wish to inspect the report, please call the hotline on +41 43 222 38 50.

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

III. OVERVIEW OF THE LIQUIDATION PROCESS

1. ACTIVITIES OF THE LIQUIDATOR

The activities of the Liquidator and Deputy Liquidator in 2015 were again focused on the work involved in the responsibility claim action against former directors and officers of Swissair (cf. section VI.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 1.45 billion (cf. section VII.2. below). Finally, various assets were also realised (cf. section V below).

2. ACTIVITIES OF THE CREDITORS' COMMITTEE

The Creditors' Committee held two meetings, one of which was a telephone conference, in the course of 2015. The Committee discussed the various proposals submitted by the Liquidator and Deputy Liquidator, respectively, and passed resolutions accordingly.

IV. ASSET STATUS OF SWISSAIR AS OF 31 MARCH 2016

1. INTRODUCTORY REMARKS

The report on activities contains a statement of the assets of Swissair as of 31 December 2015. The liquidation status has been updated in the meantime taking account of the changes that have occurred since then. Enclosed is the updated liquidation status of Swissair as of 31 March 2016 (Enclosure 1).

2. ASSETS

Liquid funds: The freely available liquid funds of Swissair are mainly held at Zürcher Kantonalbank ("ZKB"). Since 1 March 2015, ZKB has been charging negative interest on the assets of Swissair. Thanks to an agreement negotiated with ZKB, it has been possible to reduce this negative interest from its original level of 0.75% to between 0.15% and 0.25% by means of fixed-term deposits of various durations.

Assets as yet unrealised: Assets as yet unrealised still consist primarily of bank deposits abroad which are frozen, accounts receivable arising from flight operations, claims against former Swissair group companies, the shareholdings held

by Swissair (Swissair Training Center AG in liquidation), and realisation proceeds from real estate abroad (insofar as it was owned by Swissair). Furthermore, the responsibility claims being pursued through litigation and any other responsibility claims (cf. section VI.2. below) are carried pro memoria.

3. DEBTS INCURRED IN THE COURSE OF THE LIQUIDATION PROCESS

Accounts payable: The accounts payable reported as at 31 March 2016 relate to costs incurred during debt restructuring liquidation.

Provision for first interim payment: Swissair's liquidation status as of 31 March 2016 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	1,661,123
Contingent claims where conditions not yet met	5,214,431
Suspended claims	12,979,462
Total provision	19,855,016

The provision set aside 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 2015. Various decisions with regard to claims remain suspended (cf. section VII.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 available assets reported in the liquidation status as of 31 March 2016, taking account of the changes that have occurred since then, give a maximum dividend of 11.3 % for third-class claims. This calculation factors in 30 % 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 10.4 %. 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 8.4 % and 9.3 %.

V. REALISATION OF ASSETS

1. GENERAL INFORMATION

A number of different assets were realised during the reporting period. Payments totalling CHF 8,570,453 were received by Swissair in 2015. These included a further interim payment of CHF 6,517,717 from Swisscargo AG in debt restructuring liquidation. Swissair also received payments from SAirGroup Finance (NL) B.V. and ERGO life insurance (see Circular no. 18, section IV.3.) and realisation proceeds from its shareholdings in Swissair Training Center AG in liquidation and in Global Excellence (India) Ltd. (see section V.3. below). Finally, Swissair received payments from the settlement of the avoidance claim against Dor Alon Energy In Israel (1988) Ltd. (see section VI.1. below).

2. SALE OF PROPERTY "MAKER CHAMBERS", INDIA

Swissair Swiss Air Transport Co. Ltd. has been recorded as a branch of the present-day SAirGroup in the company register in India since 5 April 1957. From 1973 to 2000, the Indian branch purchased a total of five properties in Mumbai – four residential properties and one office property ("Maker Chambers VI").

There is currently a dispute between Swissair and SAirGroup as to who is the beneficial owner of the properties. Nevertheless, in order to sell the properties at market value for the benefit of the creditors, Swissair and SAirGroup have agreed that SAirGroup should sell the properties for their collective account and transfer the proceeds from the sales to a joint Swissair/SAirGroup account in Switzerland. The apportionment of these proceeds will be agreed at a later date.

The four residential properties were sold back in 2013 (see Circular no. 20, section IV.4.). It has since also been possible to find a buyer for the office premises in the "Maker Chambers" building willing to pay a price deemed sufficient. Following lengthy negotiations, the property has been sold to this buyer with the approval of the Creditors' Committees of SAirGroup and Swissair for the sale price of INR 271 million, equivalent to approximately CHF 4 million. The sale was completed in November 2015.

3. APPORTIONING THE PROCEEDS FROM THE LIQUIDATION OF GLOBAL EXCELLENCE (INDIA) PRIVATE LIMITED

Global Excellence (India) Private Limited ("Global Excellence") was a limited company formed in 1993 under Indian law, with its registered office in Bangalore and later Mumbai. From 1994 onwards, Global Excellence, on the basis of a General Sales Agency Agreement concluded with Swiss Air Transport Company ("old Swissair", now SAirGroup), provided numerous agency and sales services for the old Swissair in India. Following the restructuring of the Swissair group in summer 1997, the new Swissair acquired a stake in Global Excellence. In the end, it held an equity investment of 50.85 %.

When Swissair ceased flight operations Global Excellence lost its main business partner. Hence, the decision was made to put Global Excellence into liquidation in November 2002. There was some dispute between Swissair and SAirGroup over who was entitled to the liquidation proceeds attributable to the Swissair stake, which amounted to INR 6,068,000 (equivalent to CHF 165,471). As a result, these proceeds were temporarily transferred to a blocked account of Swissair/SAirGroup. Swissair, SAirGroup and SAirLines have since agreed that the proceeds amounting to CHF 165,471 are payable in full to Swissair. The amount has been transferred to Swissair accordingly.

VI. PURSUIT OF CONTESTED CLAIMS

1. AVOIDANCE CLAIMS

The pursuit of avoidance claims has been concluded. The last outstanding avoidance claim against Dor Alon Energy In Israel (1988) Ltd. ("Dor Alon") was also settled during the period under review (see Circular no. 21, section V.1.2.). Dor Alon has now paid the instalments it owed Swissair in full.

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. At issue in this litigation is the financing of SAirGroup by Swissair. The size of the claim amounts to around CHF 208 million. Swissair lodged its reply in these proceedings on 30 January 2015. The rejoinders submitted by the defendants were lodged with the court on 30 November 2015. The Commercial Court has not yet stated how the proceedings will be continued.

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, section V.2.).

VII. SETTLEMENT OF LIABILITIES

1. CURRENT STATUS OF SCHEDULE OF CLAIMS PROCEEDINGS

First-class claims: 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: Claims totalling approximately CHF 389 million remain suspended.

2. SETTLEMENT OF THE LOANS FROM THE SWISS FEDERAL GOVERNMENT

The settlement of the loans from the Swiss federal government was finalised by Swissair (see Circular no. 21, section VI.2.) and approved by the Creditors' Committee at the beginning of 2015. The settlement with a balance of approximately CHF 130 million in favour of the federal government was then submitted to the federal government. On this basis - in view of the negative interest rate situation - Swissair transferred CHF 130 million to the federal government on 2 April 2015.

On 26 June 2015 the Swiss Federal Audit Office (SFAO) submitted a final report on the result of its examinations with recommendations on how to proceed further to the Federal Office of Civil Aviation ("FOCA"). In its final report the SFAO requested a further loan repayment from Swissair of approximately CHF 180 million (this would have corresponded to a total loan repayment of CHF 310 million) and recommended that the FOCA enforce this claim against Swissair through negotiation or the courts.

The FOCA forwarded the SFAO's final report to the Swissair Liquidator in August 2015 and invited him to negotiations on the settlement of the account. These negotiations were held in the autumn of 2015. On the basis of the negotiations, in a letter dated 24 November 2015 the FOCA made the Swissair Liquidator the offer to settle the account with a final payment by Swissair to the federal government of CHF 90 million net and recognition of the loan amount of CHF 930 million not repaid (disbursements totalling CHF 1,150 million less repayments totalling CHF 220 million) in the schedule of claims as a third-class claim.

Swissair accepted this settlement offer from the federal government with the approval of the Creditors' Committee. The corresponding settlement agreement with the federal government has meanwhile been concluded and executed.

The conclusion of this settlement will considerably speed up the Swissair liquidation proceedings. This means that one of the most important items still outstanding has been settled without having to instigate lengthy judicial proceedings with an uncertain outcome.

3. SETTLEMENT WITH FLIGHTLEASE AG IN DEBT RESTRUCTURING LIQUIDATION REGARDING CLAIMS IN RESPECT OF AIRCRAFT MAINTENANCE COSTS ARISING FROM THE GERMAN LEVERAGED LEASES

Between 1996 and 1999 "Swissair" Swiss Air Transport Company Ltd. ("old Swissair"; now SAirGroup) entered into 17 sale and lease-back transactions (so-called German Leveraged Leases; "GLLs") with German limited partnerships ("head lessors"). In respect of 15 Airbus aircrafts these GLLs were later transferred to Flightlease AG. Flightlease AG leased these aircrafts on to Swissair as sublessee.

The grant of the debt restructuring moratorium to Flightlease AG gave the head lessors the right to terminate the leasing agreements early, subject to compensation. To avoid having to make such compensation payments, in October 2001 Flightlease AG contacted Crossair, Limited Company for Regional European Air Transport (now Swiss International Air Lines AG; "Swiss") about transferring the GLLs. After lengthy negotiations, an agreement was reached over the transfer of the GLLs as of 31 March 2002 to Goal Swiss AG, a company founded by Swiss specifically for this purpose. Swiss became the new sublessee in place of Swissair.

The GLLs transfer was essentially an advantageous move for both Flightlease AG and Swissair. However, Flightlease AG had to agree to a deduction on the purchase price of approximately USD 65 million for maintenance costs accrued as the GLLs aircrafts were not handed over by Swissair in the condition agreed. In particular, Swissair was supposed to have carried out a variety of maintenance tasks before the aircrafts were returned.

Flightlease AG registered this amount - less payments of around USD 4.6 million that Swissair had made during the debt restructuring moratorium as reserves for maintenance - equivalent to approximately CHF 77.3 million as a claim for damages for breach of contract in the debt restructuring proceedings of Swissair. Swissair was not in agreement with the amount of this claim.

In spring 2015, Swissair and Flightlease AG reached a settlement on this claim with the approval of the respective Creditors' Committees. Flightlease AG reduced its claim arising from the GLLs to CHF 65.5 million, and Swissair recognised the claim in this amount. The agreement has since been executed.

VIII. NEXT STEPS IN THE PROCESS

The complex mutual claims on and due to other former Swissair companies should be assessed and settled in the coming months. We will be striving to reach mutually agreed solutions. This will enable most of the claims that were previously suspended in the schedule of claims to be settled.

The liquidation bodies will continue the responsibility proceedings against former directors and officers of Swissair and decide whether further responsibility claim actions are to be instigated. It is not yet possible at present to estimate how long it will take for these responsibility issues to be settled.

Depending on how the proceedings progress, the creditors will continue to receive information about important developments in the form of circulars. A report on the progress of the liquidation process this year will be issued by spring 2017 at the latest.

Kind regards

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

Karl Wüthrich

Enclosed: 1. Liquidation status of Swissair as at 31 March 2016
2. Overview of the schedule of claims proceedings of Swissair

www.liquidator-swissair.ch

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

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

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

LIQUIDATION STATUS AS OF 31 MARCH 2016

	31.03.2016	31.12.2015	Change
	CHF	CHF	CHF
ASSETS			
Liquid funds			
UBS AG CHF	19'429	16'138	3'291
ZKB CHF	271'357'679	381'274'259	-109'916'580
ZKB EUR	84'140	497	83'643
ZKB USD	548'770	538'982	9'788
Total liquid funds	272'010'018	381'829'876	-109'819'858
Liquidation positions			
Banks/cash abroad	46'490	46'490	0
Accounts receivable by the estate	57'145	200'677	-143'532
Receivables from third parties	62'057'851	62'057'851	0
Prepaid court expenses	6'733'409	6'733'409	0
Deposits/Guarantees	655'363	655'363	0
Claims from proceeds of sale of operating equi	2	2	0
Real estate	1	1	0
Participations	1	1	0
Responsibility claims	p.m.	p.m.	
Total liquidation positions	69'550'262	69'693'794	-143'532
TOTAL ASSETS	341'560'280	451'523'670	-109'963'390
LIABILITIES			
Debts of the estate			
Accounts payable to the estate	539'033	417'411	121'622
Provision, 1st interim payment	19'855'016	38'455'016	-18'600'000
Provisions for liquidation costs	5'000'000	5'000'000	0
Provisions for outstanding statements	0	90'000'000	-90'000'000
Total debts of the estate	25'394'049	133'872'427	-108'478'379
TOTAL DISPOSABLE ASSETS	316'166'231	317'651'243	-1'485'012

Overview of the schedule of claims proceedings

Category	Registered	Schedule of claims				Dividend				
	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⁾	27'062'445'350.65	3'385'991'810.94	-	389'454'922.82	23'286'998'616.89	2.0%	8.4%	9.3%	10.4%	11.3%
Total	27'970'799'088.45	3'405'973'903.28	-	394'645'286.42	24'170'179'898.75					

¹⁾ The third-class claims for which decisions have been suspended are factored into this calculation at 30%.

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