

**Unofficial Translation  
of German Original**

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To the creditors of Flightlease AG  
in debt restructuring liquidation

Küsnacht, April 2014 WuK/ExC

**Flightlease AG in debt restructuring liquidation;  
Circular no. 17**

Dear Sir or Madam

This circular provides information on the progress of the Flightlease AG debt restructuring liquidation proceedings since June 2013 and on the next steps planned in these proceedings.

**I. REPORT ON ACTIVITIES AS OF 31 DECEMBER 2013**

After having been acknowledged and approved by the Creditors' Committee, the 11th Liquidator's report on activities for 2013 was submitted to the debt restructuring judge at the District Court of Bülach on 17 March 2014. The report on activities is available for inspection by creditors at the Liquidator's offices at Seestrasse 39, Goldbach Center, 8700 Küsnacht, until 12 May 2014. 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**

In 2013 the Liquidator's main activity was to negotiate and conclude an agreement with all the members of the former Swissair VAT group regarding the dissolution of the VAT group (see section IV.2 below).

**2. Activities of the Creditors' Committee**

The Creditors' Committee held no meetings in 2013. It passed the resolution regarding dissolution of the Swissair VAT group via circular (cf. section IV.2 below).

**III. ASSET STATUS OF FLIGHTLEASE AG AS OF 31 DECEMBER 2013**

**1. Introductory remark**

Enclosed is a report on the liquidation status of Flightlease AG as of 31 December 2013 (Enclosure 1). It contains a statement of the assets of Flightlease AG in debt restructuring liquidation as of 31 December 2013, according to the information currently available.

**2. Assets**

As previously, as-yet unrealized assets consist primarily of claims against former Swissair group companies and shareholdings held by Flightlease AG. Furthermore, the responsibility claim being pursued through litigation and any other responsibility claims are carried in the liquidation status pro memoria.

**3. Debts incurred in the course of the liquidation process**

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

Provisions for interim payments: The liquidation status of Flightlease AG as of 31 December 2013 includes the sum of CHF 15,704,591 as provision for the first interim payment. Of this amount, CHF 3,943 relates to payments in respect of which creditors have not yet issued payment instructions to the Liquidator and CHF 1,311,467 to interim payments for conditional claims for which the respective condition has not yet been met. The remainder of the provision – CHF 14,389,181 – relates to claims that are still suspended at present.

With respect to the second interim payment, a provision of CHF 20,520,252 was included in the liquidation status of Flightlease AG as of 31 December 2013. Of this amount, CHF 4,541 relates to payments in respect of which creditors have not yet issued payment instructions to the Liquidator and CHF 1,836,054 to interim payments for

conditional claims for which the respective condition has not yet been met. The remainder of the provision – CHF 18,679,657 – relates to claims that are still suspended at present.

These provisions guarantee the maximum amounts for both interim payments with respect to all unsettled claims.

#### **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, recognized, definitively rejected, and those that are in dispute (actions to contest the schedule of claims) or still suspended. In connection with the decisions on suspended claims, the total of first-class and third-class claims may yet change.

*First-class claims:* The decision with regard to the claims registered by a member of Flightlease AG's management board in the amount of CHF 1,017,208 remains suspended.

*Third-class claims:* The decision on the claim registered by SAirGroup in debt restructuring liquidation in the amount of CHF 533,704,493 remains suspended.

#### **5. Estimated dividend**

The realisation of the assets is largely completed. The liquidation status of Flightlease AG as of 31 December 2013 provides information on current disposable assets. The successful enforcement of responsibility claims is now the only means of bringing about a significant improvement on the asset side.

The disposable assets reported in the liquidation status result in a maximum dividend of 9.6%, provided that all claims that are as yet suspended are rejected. Should all suspended claims have to be recognised, however, the minimum dividend would be 7.4%. Of this, 6% has already been paid out in the first and second interim payments. The future dividend that may be expected, therefore, is between 1.4% and 3.6%.

#### **IV. REALISATION OF ASSETS**

##### **1. General**

In 2013 the Liquidator was able to realise assets amounting to around CHF 1 million.

##### **2. Dissolution 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. This amounted to around CHF 55 million for 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 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 submitted a corresponding agreement to the group members ("General Agreement"). This reproduced the content of the bilateral agreements entered into earlier between SAirGroup 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 Flightlease AG has approved the conclusion of the General Agreement. According to the General Agreement, Flightlease AG is entitled to pre-tax credits in the amount of CHF 207,329 plus interest. The FTA paid the Swissair VAT group pre-tax credits excluding interest in March 2014. Flightlease AG has since received its share.

**V. PURSUIT OF RESPONSIBILITY CLAIMS**

Since the last circular (see Circular no. 16, section V), no ruling has been rendered in the responsibility proceedings relating to participation by Flightlease AG in the Swissair group cash pool. The proceedings are still pending before the High Court of the Canton of Zürich.

With regard to further responsibility issues, Flightlease AG reserves the right to file further lawsuits against the responsible bodies.

**VI. PLANNED NEXT STEPS IN THE PROCESS**

The next phase of proceedings will involve finalising the schedule of claims and liquidating the last remaining assets. The liquidation bodies will focus on pursuing responsibility claims. It is still not possible at present to estimate how long it will take before this topic is settled.

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

Flightlease AG in debt restructuring liquidation

The Liquidator

Karl Wüthrich

- Enclosures:
1. Liquidation status of Flightlease AG in debt restructuring liquidation as at 31 December 2013
  2. Overview of the schedule of claims proceedings for Flightlease AG in debt restructuring liquidation

**[www.liquidator-swissair.ch](http://www.liquidator-swissair.ch)**

**Hotline Flightlease AG in debt restructuring liquidation**

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**LIQUIDATION STATUS AS OF 31 DECEMBER 2013**

	<b>31.12.2013</b>	<b>31.12.2012</b>	<b>Change</b>
	<b>CHF</b>	<b>CHF</b>	<b>CHF</b>
<b>ASSETS</b>			
<b>Liquid funds</b>			
UBS CHF 803.530.01B	131'057	121'733	9'324
ZKB CHF 1100-0974.031	67'124'399	66'239'771	884'628
<b>Total liquid funds</b>	<b>67'255'456</b>	<b>66'361'504</b>	<b>893'952</b>
<b>Liquidation positions:</b>			
Accounts receivable	119	24'929	-24'810
Receivables from third parties	8	8	0
Prepaid court expenses	6'587'000	6'587'000	0
Shareholdings	p.m.	p.m.	
Responsibility claims	p.m.	p.m.	
<b>Total liquidation positions</b>	<b>6'587'127</b>	<b>6'611'937</b>	<b>-24'810</b>
<b>TOTAL ASSETS</b>	<b>73'842'583</b>	<b>72'973'441</b>	<b>869'142</b>
<b>LIABILITIES</b>			
<b>Debts of the estate</b>			
Accounts payable	8'700	124'522	-115'822
Provision, 1st interim payment	15'704'591	15'704'591	0
Provision, 2nd interim payment	20'520'252	20'520'252	0
Provisions for liquidation costs	2'000'000	2'000'000	0
<b>Total debts of the estate</b>	<b>38'233'543</b>	<b>38'349'365</b>	<b>-115'822</b>
<b>TOTAL DISPOSABLE ASSETS</b>	<b>35'609'040</b>	<b>34'624'076</b>	<b>984'964</b>

## Overview of the schedule of claims proceedings of Flightlease AG

Category	Registered	Schedule of claims				Dividend				
		Recognised	Appeal lodged	Decision suspended	Rejected finally	1st interim payment	Future dividend		Total	
	CHF	CHF	CHF	CHF	CHF		min.	max	min.	max.
Secured by right of lien	-	-	-	-	-	-	-	-	-	-
First class	97'919'713.91	1'258'541.66	-	1'017'208.00	95'643'964.25	100%	-	-	100%	100%
Second class	45'381.79	16'021.55	-	29'360.24	-	100%	-	-	100%	100%
Third class	18'776'586'367.25	1'941'502'511.39	-	533'704'492.69	16'301'379'363.17	6.00%	1.4%	3.6%	7.4%	9.6%
<b>Total creditors' claim</b>	<b>18'874'551'462.95</b>	<b>1'942'777'074.60</b>	<b>-</b>	<b>534'751'060.93</b>	<b>16'397'023'327.42</b>					