

**SAirGroup in
debt restructuring liquidation**

Circular No. 15

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in debt restructuring liquidation**

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**Unofficial Translation
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Registered mail

To the creditors of SAirGroup in debt
restructuring liquidation

Küsnacht, 2 April 2009 WuK/fee

**SAirGroup in debt restructuring liquidation;
Circular no. 15**

Dear Sir or Madam,

This Circular provides information on the progress of the SAirGroup debt restructuring liquidation proceedings since April 2008, as well as on the next steps planned in the coming months.

I. REPORT ON ACTIVITIES AS OF 31 DECEMBER 2008

Having been acknowledged and approved by the Creditors' Committee on 17 March 2009, the sixth of the Liquidator's reports on activities for 2008 was submitted to the debt restructuring judge at the District Court of Zurich. The report on activities will be available for inspection by creditors at the Liquidator's offices at Seestrasse 39, Goldbach Center, 8700 Küsnacht until 17 April 2009. Appointments should be made in advance with Christian Rysler (phone +41 43 222 38 00).

The following pages summarise those points of the report on activities which have not yet been covered by one of the Circulars published over the past year.

II. OVERVIEW OF THE LIQUIDATION PROCESS

1. Activities of the Liquidator

The activities of the Liquidator in 2008 concentrated on settling liabilities, including pursuing actions brought by creditors to contest the schedule of claims (see section VI below), pursuing the avoidance claims that had been instigated (see section V.1 below), and investigating and conducting the pending legal proceedings relating to responsibility on the part of directors and officers (see section V.2 below). A number of assets were also realised (see section IV below).

2. Activities of the Creditors' Committee

The Creditors' Committee held one meeting in the course of 2008. At this meeting it discussed the proposals put forward by the Liquidator and passed resolutions accordingly. It also passed circular resolutions on proposals submitted by the Liquidator.

III. ASSET STATUS OF SAIRGROUP AS OF 31 DECEMBER 2008

1. Introductory remark

Enclosed is a report on the liquidation status of SAirGroup AG as of 31 December 2008, containing a statement of the assets of SAirGroup in debt restructuring liquidation as of that date, according to present information.

2. Assets

Court deposits: In recent years, SAirGroup had to make several court deposits in connection with the instigation of a number of avoidance claims. As of 31 December 2008, these deposits amounted to 10,127,185 Swiss francs.

Pending apportionment of proceeds from the sale of Swissport, Gate Gourmet, SR Technics and Nuance: It was not possible in 2008 to apportion the proceeds of the sales of the Swissport Group, the Gate Gourmet Group, SR Technics Switzerland and the Nuance Group. The attendant complexities within SAirGroup have largely been resolved.

However, an assessment on the part of SAirLines has not yet been completed. Efforts will, however, be made to resolve these outstanding matters in the course of this year.

As-yet unrealised assets: This item still consists primarily of claims against former Swissair group companies, shareholdings held by SAirGroup, residual IT items, real estate in Switzerland, real estate abroad (as far as it is owned by SAirGroup), and securities. Furthermore, intangible assets such as the "Swissair" brand and any responsibility and avoidance claims are carried pro memoria.

3. Debts incurred in the course of the liquidation process

Accounts payable: The accounts payable reported as of 31 December 2008 relate to costs incurred during the debt restructuring liquidation.

Provision for first interim payment: The liquidation status as of 31 December 2008 includes the sum of 723,882,410 Swiss francs as provision for the first interim payment. Of this amount, 53,452,294 Swiss francs are reserved for payments for which the creditors have not yet given the Liquidator payment instructions, or for payments that could not be effected for other reasons. An amount of 27,518,062 Swiss francs is for interim payments for conditional claims for which the condition concerned has not yet been met. Another 232,826,040 Swiss francs concern interim payments for claims for which an action to contest the schedule of claims is pending. The remainder of the provision – 410,086,014 Swiss francs – is for claims that are still suspended at present.

4. Creditors' claims

For the current status of the schedule of claims proceedings, please see section VI below. The enclosed summary of schedule of claims states the total of claims that have been registered in the respective classes, those claims which have been recognised, those which have ultimately been rejected, those which are in dispute (actions to contest the schedule of claims) and those for which schedule of claims entries are still suspended. The claim amounts in all classes are still subject to change as work to settle the schedule of claims proceeds.

5. Estimated dividend

The disposable assets reported in the liquidation status give a maximum dividend of 14.9%, providing all of the still pending actions to contest the schedule of claims are unsuccessful and no more than 40% of suspended claims have to be recognised. Should all of the actions be admitted and the suspended claims have to be recognised in full, however, the minimum dividend would be 7.2%. Of this, 5.3% has already been paid out in an initial interim payment. The remaining dividend that may be expected, therefore, is between 1.9% and 9.6%.

IV. REALISATION OF ASSETS

1. Real estate in Istanbul

On 5 May 1965, the former Swissair Schweizerische Luftverkehr-Aktiengesellschaft (Swissair Swiss Air Transport Company Ltd.), with registered domicile at Hirschengraben 84, 8001 Zurich, Switzerland, acquired real estate in Istanbul. The purchase price was 675,000 Turkish lira. The land register cites Swissair İsviçre Havayollari anonim şirketin as owner. The translation into Turkish corresponds to the French translation of the former company within the present-day SAirGroup in debt restructuring liquidation. No amendments were made to the entry in the land register since the acquisition was made in 1965. At the time the Swissair Group was reorganised into a holding in 1997, the name change from Swissair Swiss Air Transport Company Ltd. to SAirGroup was not recorded in the land register in connection with the property in Istanbul, nor was ownership of the property transferred from SAirGroup to the newly formed Swissair. Following the restructuring that was completed in 1997, the property was used by the newly formed Swissair Luftverkehr-Aktiengesellschaft (Swissair Air Transport Company Ltd.) ("Swissair"). Swissair carried the property as an asset in its balance sheet, and also bore the associated maintenance costs.

At the beginning of 2008, the property was assessed by REMAX and Vakif Ekspertiz, who declared that its market value was between 1,350,000 and 1,650,000 Turkish lira. Based on the applicable exchange rate at that time, this is equivalent to between 1,235,250 and 1,509,750 Swiss francs.

On 18 December 2007, the Liquidator had already received an offer from a potential buyer in the amount of over 2 million Turkish lira. The offer was declared valid until the end of March 2008, and was well above the amount cited by the valuers. In subsequent negotiations, the purchase price was increased to 2.075 million Turkish lira. The deal was concluded and executed in August 2008 with the approval of the Creditors' Committees of SAirGroup and Swissair.

The question of ownership has not yet been settled between SAirGroup and Swissair, and for this reason the proceeds from the sale were deposited on a joint account at the Zürcher Kantonalbank in the name of the Liquidator of SAirGroup. The amount deposited on this account for the sale of the property in Istanbul is 1,909,000 Swiss francs. The sum of approximately 350,000 Swiss francs had to be deducted for taxes and costs. SAirGroup and Swissair are to agree at a later date on how the net proceeds from the sale are to be apportioned.

2. Real estate in Tel Aviv

Since the 1950s, SAirGroup has been registered in Israel as "Swissair Swiss Air Transport Company Ltd." (registration number, 56-000478-0). In 1986 it acquired office premises on the 14th floor of Migdalar Tower in Ben Yehuda Street, Tel Aviv. The premises concerned include three parking spaces in the neighbouring multi-storey car park, plus a storage room on the 17th floor (collectively referred to below as the "property"). The size of the property, depending on the applied method of calculation, is between 812 and 1,034 square metres. The property was recorded in the land register in Israel in January 1997. The land register lists Swissair Swiss Air Transport Company Ltd. (company number 56-000478-0) as the owner of the property.

The change of name of SAirGroup and the subsequent formation of Swissair carried out in 1997 within the scope of the restructuring process were not recorded in Israel, neither in the commercial register nor in the land register. However, the property was used exclusively by Swissair in the period from May 1997 to 31 March 2002. The office premises were then rented for a very brief period by Swiss International Air Lines AG, and since then the property has remained vacant.

In November 2006 the value of the property was assessed by an Israeli property valuer, who cited the current market value at 1 million US dollars (i.e. approximately 1.15 million Swiss francs). In mid-2007 a real estate agent in Israel was entrusted with the task of selling the property. After extensive and complex negotiations, the property was sold in autumn 2008 with the approval of the Creditors' Committees of SAirGroup and Swissair for 1.5 million US dollars. The sale has since been concluded and executed.

The question of ownership has not yet been settled between SAirGroup and Swissair, and for this reason the proceeds from the sale were deposited on a joint account at the Zürcher Kantonalbank in the name of the Liquidator of SAirGroup. The amount deposited on this account for the sale of the property in Tel Aviv is 1,551,842.90 Swiss francs. The sum of 200,000 Swiss francs is still being held on a blocked account in Tel Aviv, and taxes and costs still have to be deducted from this amount. SAirGroup and Swissair are to agree at a later date on how the proceeds from the sale are to be apportioned.

3. Apportionment of proceeds from the sale of Polygon Group, Guernsey

In Circular 12 (section III.2) dated 17 August 2007, I reported on the sale of shares of Polygon Group. The apportionment of the proceeds from this deal still had to be agreed at that time between SAirGroup, SAirLines and Swissair. In June 2008, the Co-Liquidator of SAirlines (Professor Dr. Roger Giroud), the Deputy Liquidator of Swissair (Dr. Niklaus Müller) and the Liquidator of SAirGroup agreed on the apportionment of the proceeds from the liquidation of the stake in Polygon Group, and concluded a corresponding agreement. The proceeds are to be apportioned as follows:

- SAirGroup is to receive 950,000.00 US dollars from the sale, and 1,032,463.77 Swiss francs from the proceeds of the liquidation of SAirGroup Trust;
- SAirLines is to receive 1,240,000.00 US dollars from the sale, and 1,032,463.77 Swiss francs from the proceeds of the liquidation of SAirGroup Trust;

- Swissair is to receive 240,000.00 US dollars from the sale, and 1,032,463.77 Swiss francs from the proceeds of the liquidation of SAirGroup Trust.

The agreement was approved by the Creditors' Committees of SAirGroup, SAirLines and Swissair, and the apportionment has meanwhile been executed.

4. Claims against Verkehrshaus der Schweiz (Swiss Museum of Transport)

On 20 October 1995, SAirGroup (at that time operating under the name Swissair Schweizerische Luftverkehr-Aktiengesellschaft), as lender, and the Swiss Museum of Transport, as borrower, concluded a loan agreement in the amount of 1.5 million Swiss francs. The purpose of this loan was to provide the remaining financing of the planned IMAX large-format film theatre. The former PTT (Swiss Post Office), SBB (Swiss Federal Railways) and SAirGroup jointly provided the Swiss Museum of Transport with the still required financing (4.5 million Swiss francs) in equal tranches of 1.5 million Swiss francs. The loan was paid out to the Swiss Museum of Transport in two tranches in June and July 1996, and was secured in the form of a pledged debt certificate (third rank) in the amount of 1.5 million Swiss francs, issued for a plot of land on the premises of the Swiss Museum of Transport in Lucerne.

Repayment was to have been effected in five instalments. Instalments were due for payment at the end of each year, commencing from the end of the year following the handover of the IMAX large-format film theatre for operation. In the loan agreement, SAirGroup and the Swiss Museum of Transport agreed that, in the case of delay in payment, a default interest rate of 8% would apply automatically (i.e. without a reminder being issued).

The IMAX film theatre was handed over for operation in the course of 1996, and the first instalment of 300,000.00 Swiss francs therefore became due at the end of 1997. After periodical payments in accordance with the loan agreement, the remaining debt as of the end of 2000 was 600,000.00 Swiss francs, plus interest. In a letter dated 18 December 2000, the Swiss Museum of Transport petitioned SAirGroup to "suspend" the repayment of

the amount of 300,000.00 Swiss francs that was due at the end of the year. SAirGroup agreed to this request and postponed the repayment of the due instalment by a maximum of one year to the end of 2001. At the end of 2001, the Swiss Museum of Transport did not pay either the suspended instalment of 300,000.00 Swiss francs, or the next due instalment of 300,000.00 Swiss francs. And in the following years (2002, 2003 and 2004), the Swiss Museum of Transport made no further loan repayments to SAirGroup.

In February 2004, negotiations were initiated between representatives of the Swiss Museum of Transport and the Liquidator concerning the payment of the outstanding loan instalments amounting to 600,000.00 Swiss francs, plus interest. The Swiss Museum of Transport claimed that the debt had been repaid through set-off. In November 2000, SAirGroup is alleged to have consented to carry out an investment of at least 17.5 million Swiss francs within the scope of a financing agreement for the planned expansion of the aviation and space travel exhibition hall. The commitment on the part of SAirGroup, it was claimed, can be deduced from a letter dated 21 December 2000, and SAirGroup was subsequently no longer able to meet its financing commitment towards the Swiss Museum of Transport. In view of this, the claim for outstanding loan repayment was to be regarded as an initial downpayment for the expansion of the exhibition hall, and the claim itself had therefore been settled.

After extensive and complex negotiations, the following agreement was reached between SAirGroup and the Swiss Museum of Transport:

- The Swiss Museum of Transport is to pay SAirGroup the amount of 230,000 Swiss francs.
- Immediately upon receipt of payment of the above amount, SAirGroup will return the pledged debt certificate to the Swiss Museum of Transport.
- Upon payment of the agreed amount and return of the debt certificate, the Swiss Museum of Transport and SAirGroup declare all claims to have been settled.

The Creditors' Committee approved this agreement, which has meanwhile been executed.

V. PURSUIT OF DISPUTED CLAIMS**1. Avoidance claims***1.1 Forfeiture period*

In its initial rulings dated 11 May 2007 concerning the cases of Credit Suisse, Credit Suisse Securities (Europe) Ltd. and Citibank N.A., the Commercial Court of the Canton of Zurich ("Commercial Court") found that, in accordance with Article 292 of the Swiss Federal Debt Enforcement and Bankruptcy Law, the forfeiture period for a debt restructuring agreement with assignment of assets only commenced at the time of confirmation of the debt restructuring agreement, i.e. in June 2003, and not at the time of granting of the debt restructuring moratorium, i.e. on 5 October 2001. The Commercial Court thus ruled that the actions had been initiated within the designated period. On 4 February 2008, the Swiss Federal Supreme Court confirmed the rulings of the Commercial Court. It is thus established that all avoidance claims in the case of SAirGroup were submitted within the set time limits.

1.2 Zürcher Kantonalbank

On 16 November 2005, SAirGroup submitted an avoidance claim to the Commercial Court against Zürcher Kantonalbank in the amount of 80,516,263.90 Swiss francs, plus interest at 5% since 8 June 2005. With this action, three payments made by SAirGroup to Zürcher Kantonalbank – 30,234,222.20 Swiss francs on 21 August 2001; 30,153,708.35 on 5 September 2001; 20,128,333.35 on 27 September 2001 – were contested. In its ruling on 10 January 2007, the Commercial Court rejected the action. SAirGroup appealed against this ruling to the Zurich Civil Court of Appeal ("Appeals Court") and simultaneously lodged a civil appeal with the Swiss Federal Supreme Court. The Appeals Court rejected the appeal in its ruling by circular dated 15 November 2007. In its ruling dated 29 May 2008, the Swiss Federal Supreme Court overturned the decision of the Commercial Court and ruled in favour of SAirGroup.

In June 2008, Zürcher Kantonalbank fulfilled its obligations arising from the ruling of the Swiss Federal Supreme Court. SAirGroup has received payments totalling 88,752,245.70 Swiss francs for capital, interest and

compensation for court costs, after deduction of the first interim payment of 5.3% from the claim by the Zürcher Kantonalbank which would be revived in accordance with Article 292, paragraph 2 of the Swiss Federal Debt Enforcement and Bankruptcy Act. The matter concerning Zürcher Kantonalbank has thus been concluded.

1.3 McKinsey & Company Inc., Switzerland

In Circular 5 (section I.12) dated 18 March 2005, creditors were informed that avoidance claims were being asserted against various consultants, including McKinsey & Company, Inc. ("McKinsey"). On 18 November 2005, SAirGroup submitted a corresponding avoidance claim to the Commercial Court, stating by way of substantiation that, in view of its consulting activities, McKinsey was aware of the difficult financial situation of SAirGroup and that its receipt of payments for consulting services in March, April and at the beginning of July 2001 amounting to a total of approximately 2 million Swiss francs, had given it preference over the other creditors. The quality of the consulting activities was not questioned. McKinsey disputed these claims and countered them with the argument that the insolvency of SAirGroup was not foreseeable in the first half of 2001. On 24 September 2008, the Commercial Court ruled that McKinsey must repay a portion of the fees for consulting services in 2000 amounting to 1.13 million Swiss francs to the liquidation assets and re-submit a claim as a creditor. The Court also ruled that McKinsey would not have to repay the amount of 0.89 million Swiss francs, since this concerned fees for consulting services within the scope of the Shield II project in 2001.

Following the pronouncement of this ruling by the Commercial Court, the two parties concluded the following agreement:

- Without acknowledging the factual and legal considerations of the reasoning behind the ruling, both parties mutually agree not to resort to legal remedy.
- McKinsey is to repay 1.13 million Swiss francs to SAirGroup, and its claim in the amount of the repaid consulting fees, i.e. 1.13 million Swiss francs, is to be allocated to the third-class schedule of claims.
- SAirGroup and McKinsey waive the right to enforce any other claims against each other.

After closely examining this outcome, the Liquidator has come to the conclusion that accepting the ruling of the Commercial Court on this matter is beneficial for the creditors of SAirGroup. In this way, lengthy legal proceedings and the associated costs and risks could be avoided. The Creditors' Committee approved the settlement, which has meanwhile been executed.

1.4 Financial Dynamics Limited, London

In Circular 5 (section I.12) dated 18 March 2005, creditors were informed that avoidance claims were being asserted against various consultants, including Financial Dynamics Limited, London ("Financial Dynamics"). In view of a significant enforcement risk that would have been borne by SAirGroup in the event of a ruling by a Swiss court against Financial Dynamics and in favour of SAirGroup, SAirGroup submitted a corresponding avoidance claim to the High Court of Justice in London in October 2005. The claim was substantiated with the argument that, in view of its consulting activities, Financial Dynamics was aware of the difficult financial situation of SAirGroup, and by receiving payments of fees between 2 July and 1 October 2001 amounting to approximately 2.1 million pounds plus 282,500.00 Swiss francs, it had been given preference over other creditors. Financial Dynamics Limited disputed these claims and stated that there had been no intention to cause loss. Furthermore, Financial Dynamics did not have detailed knowledge of the financial situation of SAirGroup that would have enabled it to recognise an intent to cause loss, and the payments of fees were made in return for adequate services rendered.

The proceedings in England were subsequently suspended for procedural reasons. In the meantime the two parties have concluded an agreement to settle the avoidance claim, the main points of which are as follows:

- Financial Dynamics is to pay SAirGroup the amount of 900,000.00 pounds.
- Financial Dynamics is to submit a claim in the equivalent amount of 900,000.00 pounds in Swiss francs as creditor in the SAirGroup schedule of claims (third class). The remainder of the conditionally admitted claim is to be withdrawn.

- Financial Dynamics is to waive the first interim payment of 5.3% of the equivalent value in Swiss francs of 900,000.00 pounds.

In view of the existing factual and legal situation, the Liquidator regards this settlement as a reasonable solution. Due to the need to call on expert witnesses for the substantiation of Swiss legislation governing avoidance claims, and in consideration of other relevant circumstances, the continuation of the legal proceedings would have resulted in considerable effort and costs.

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

1.5 LTU loan

On 18 November 2005, SAirGroup submitted an avoidance claim concerning the total amount of 300 million euros against the following seven banks:

- ABN AMRO Bank (Deutschland) Aktiengesellschaft, Frankfurt am Main;
- UBS Deutschland AG, Frankfurt am Main;
- Citigroup Global Markets Deutschland AG & Co. KGaA, Frankfurt am Main;
- Dresdner Bank Aktiengesellschaft, Frankfurt am Main;
- Deutsche Bank Aktiengesellschaft, Frankfurt am Main;
- Kreditanstalt für Wiederaufbau, Frankfurt am Main;
- Bayerische Hypo- und Vereinsbank AG, Munich.

For ABN AMRO Bank (Deutschland) Aktiengesellschaft the amount concerned was 45 million euros, while the amount for each of the other banks was 42.5 million euros.

With this action, an avoidance claim was submitted against a payment of 150 million euros to LTU Lufttransport GmbH on 19 July 2001, and a payment of 150 million euros to LoMA-Beteiligungsgesellschaft mbH on 17 August 2001. The two LTU companies had used these two payments by SAirGroup to repay a loan from a consortium of the banks in question amounting to 300 million euros ("LTU loan"). SAirGroup had provided a

guarantee towards the banks for the LTU loan. In view of this constellation, the banks in question effectively benefited from the two payments by SAirGroup. These payments were treated internally within the Swissair group as a loan granted to LoMA-Beteiligungsgesellschaft mbH. Within the scope of the sale of LTU to REWE Zentralfinanz e.V. ("REWE") in November 2001, SAirGroup had waived its entitlements arising from the loan to LoMA-Beteiligungsgesellschaft mbH in connection with the settlement of reciprocal claims.

In its ruling of 17 October 2008, the Commercial Court rejected the action. The Commercial Court found that no sufficient connection existed between the two payments to the two LTU companies and their onward transfer to the banks that would make it possible to speak of a uniform and thus voidable transaction. It denied the capacity of the banks concerned to be sued. The Commercial Court was also of the opinion that SAirGroup did not suffer any losses as a result of this transaction, since it had received the corresponding loan claims towards LoMA-Beteiligungsgesellschaft mbH in return for its payments, and had been able to realise their value from the sale of LTU within the scope of the settlement of reciprocal claims.

To safeguard its interests, SAirGroup initially appealed against this ruling to the Appeals Court. After close examination of the ruling, the Liquidator and the Creditors' Committee concluded that the likelihood of a successful outcome from further legal proceedings in this case was low. Negotiations with the banks concerned resulted in the following settlement:

- Five of the seven banks are to waive the compensation of court costs awarded by the Commercial Court amounting to 1,543,000 Swiss francs.
- One of the banks is to reduce the compensation of court costs awarded by the Commercial Court from 482,000 to 300,000 Swiss francs.
- All banks are to waive compensation of court costs for the appeal proceedings.
- SAirGroup is to withdraw its appeal and pay the attendant court costs.

The Creditors' Committee approved this settlement, which has meanwhile been executed.

REWE announced its intention to file a claim for compensation of damages from SAirGroup in the event that SAirGroup should succeed in its avoidance claims and the banks concerned should take action against REWE in connection with the LTU loan. In the view of REWE, by submitting avoidance claims against the banks in the consortium, SAirGroup was in breach of the settlement clause in the sales agreement of November 2001. In view of the threat of compensation claims against SAirGroup should the latter be successful in its avoidance claim against the banks, the liquidators did not offer the creditors the assignment of right to take legal action.

1.6 Additional comments

The Commercial Court ruled on four other avoidance claims in the course of 2008. In its rulings dated 22 April, 13 May and 15 May it rejected the claims against Nordea Bank Denmark A/S (approx. 61 million Swiss francs), LRP Landesbank Rheinland-Pfalz (approx. 80 million Swiss francs), and Citigroup Global Markets Ltd. (approx. 46 million Swiss francs) ahead of the ruling by the Swiss Federal Supreme Court on the matter concerning Zürcher Kantonalbank. In its view, none of the respondents could have recognised any intention on the part of SAirGroup to cause loss to others. In the case of Citigroup Global Markets Ltd., the Commercial Court also found that no creditors had been injured because an equivalent value had flowed into SAirGroup from the equity swap transaction. SAirGroup has lodged an appeal in civil matters against each of these rulings with the Swiss Federal Supreme Court. It may be assumed that the latter will reach a decision on these appeals in the course of 2009.

In the avoidance claim against Dresdner Bank (see Circular 14, April 2008, section V.2), on 22 December 2008 the Appeals Court rejected the appeal lodged by SAirGroup against the ruling of the Commercial Court dated 27 November 2007. SAirGroup has lodged an appeal in civil matters against the ruling of the Commercial Court and the decision by the Appeals Court with the Swiss Federal Supreme Court.

The claim against Roland Berger AG (3,721,000 Swiss francs) was rejected by the Commercial Court on 24 September 2008. The Court regarded the consulting services provided by Roland Berger AG as a genuine contribution towards reorganisation. For this reason it rejected the intention of

SAirGroup to cause loss, and the recognition of this by Roland Berger AG. SAirGroup has appealed against this ruling to the Appeals Court.

On 5 December 2008, the Commercial Court ruled on the claim against PricewaterhouseCoopers AG (3,218,401.60 Swiss francs), approving the amount of 2,560,124.05 Swiss francs and rejecting the remaining amount. The portion that was rejected concerns fees for auditing activities which in accordance with the latest legal precedent (Swiss Federal Supreme Court) cannot be contested. SAirGroup therefore decided not to appeal against this ruling. PricewaterhouseCoopers AG has lodged an appeal against the ruling with the Appeals Court.

In its ruling dated 2 March 2009, the Commercial Court approved the avoidance claim submitted by SAirGroup against Fortis Banque S.A. (39,624,618.35 Swiss francs, plus 5% interest since 17 June 2005). With this action, SAirGroup submitted an avoidance claim against a payment to Fortis Banque S.A. that was made on 28 September 2001. The ruling is not yet legally binding. The deadlines for appealing against the ruling to the Appeals Court or the Swiss Federal Supreme Court have not yet expired.

To date, the concluded avoidance claims have yielded approximately 161 million Swiss francs (net, after deduction of costs).

2. Assertion of responsibility claims

2.1 Roscor transaction

At the end of March 2008, the respondents in the responsibility proceedings concerning the Roscor transaction submitted their rejoinder to the District Court of Zurich ("District Court"). In its ruling dated 8 January 2008, the District Court rejected the action. Contrary to the view of SAirGroup, the Court came to the conclusion that SAirLines was no longer over-indebted following the Roscor transaction. Furthermore, SAirGroup was not over-indebted either beforehand or afterwards. The Roscor transaction therefore did not result in any losses for SAirGroup. SAirGroup has appealed against this ruling to the Higher Court of the Canton of Zurich.

2.2 Recapitalisation of Sabena in 2001

At the end of September 2008, the respondents in the proceedings concerning the recapitalisation of Sabena submitted their rejoinder to the District Court of Zurich. We now have to wait for this matter to be dealt with by the Court.

2.3 Other issues

In Circular 3 (December 2004, section I.3) I reported on the ongoing investigation regarding the responsibility of directors and officers. In the meantime, a great deal of progress has been made with the inquiries concerning the acquisition of holdings in LTU, Air Littoral, AOM and Air Liberté, the restructuring carried out in March 2001, the annual financial statements as of 31 December 2000, payments to foreign airline holdings and third parties from spring 2001, and responsibility on the part of the auditors and the group auditor. These complex investigations have proved to be labour-intensive. The information contained in the defences and rejoinders submitted by the directors and officers in the pending Roscor transaction and Sabena recapitalisation cases, and from the ruling of the District Court of Zurich concerning the Roscor transaction, is now being carefully assessed. By mid-2009 the Creditors' Committee plans to decide on proposals put forward by the Liquidator concerning the next steps in these complex matters.

3. Claims against Balzan Immer SA arising from defects in the sold production building COI-105 (catering building) at Geneva Airport

In 1996 and 1997, SAirGroup (at that time still operating under its former name, Swissair Société Anonyme Suisse pour la Navigation Aérienne) entrusted Balzan Immer SA, Lausanne, with the task of installing seamless flooring on a floating foundation, along with various follow-up tasks, in the catering building at Geneva Airport.

In 2001 and 2002, large sections of the resin-bonded floor covering came loose, and water penetrated into the basement. Numerous measures had to be taken in order to protect installations and perishable goods against water damage. Despite subsequent improvements carried out by Balzan

Immer SA, it was not possible to lastingly rectify the unsatisfactory situation.

On 28 October 2003, Balzan Immer SA and SAirGroup entrusted an expert with the task of assessing the floor coverings. It was agreed between the two parties that the resulting expert report would be regarded as binding. In his report dated 20 April 2004, the expert identified a variety of defects in the catering building, and indicated the following problems as the causes for these defects:

- 40% The condition of the foundation was not suitable for installing the flooring in accordance with the rules of good construction practice
- 20% Planning and the graduated approach to repairing the floor coverings
- 30% Failure to observe the rules of good construction practice
- 10% Insufficient maintenance

SAirGroup assigned its rights to the catering building to Gate Gourmet GmbH on 29 November 2004 and 27 May 2005. In the sales contract, SAirGroup reserved the right to assert its warranty rights against Balzan Immer SA regarding the rectification of the defects.

SAirGroup entered into negotiations with Balzan Immer SA on the basis of the expert report, but no agreement was reached. Balzan Immer SA is not prepared to make any payments. It has merely agreed not to use the objection of statute of limitations before 31 December 2009.

Based on the expert report dated 20 April 2004, SAirGroup's claim would amount to a maximum of 168,000 Swiss francs. An examination of the matter by a building regulations expert indicates that the chances of winning a lawsuit against Balzan Immer SA are not very good. The liquidators have therefore decided not to pursue the claim against Balzan Immer SA.

4. Waiver of pursuit of disputed claims

4.1 General comments

Each creditor is entitled to request the assignment of the right to take legal action in respect of those legal claims which the Liquidator and the Creditors' Committee decide not to further pursue (Article 325 in conjunction with Article 260, Swiss Federal Debt Enforcement and Bankruptcy Law). Creditors who request assignment are then entitled to assert the legal claim at their own risk and expense. Should they win the legal action, they are entitled to use any award to cover both the costs incurred and their claims against SAirGroup. Any surplus would have to be surrendered to the liquidation assets. Should the creditor lose the action, he or she is liable for any court costs and his/her personal legal fees.

4.2 Assignment requests by individual creditors

The right to pursue legal action regarding the claims on the part of SAirGroup against Balzan Immer SA arising from defects in the sold production building COI-105 (catering building) at Geneva Airport, which right has been waived by the liquidators (cf. section V.3 above), is herewith offered to creditors.

Requests for assignment within the meaning of Article 260 of the Swiss Federal Debt Enforcement and Bankruptcy Law may be lodged with the Liquidator **in writing by 17 April 2009 at the latest** (date of postmark of a Swiss post office). The right to request assignment will be deemed to be **forfeited** if this deadline is not met.

VI. SETTLEMENT OF LIABILITIES (SCHEDULE OF CLAIMS PROCEEDINGS)

During 2008, the following settlements were reached in respect of pending actions to contest the schedule of claims:

First-class claims: At the beginning of 2008, there were 4 actions to contest the schedule of claims still pending in respect of first-class claims totalling 80,075,351.95 Swiss francs. In 2008, one action (5,186,996.60 Swiss francs) was definitively settled by withdrawal. In its decision dated 23 October 2008 on the action concerning the SAirGroup Management

Insurance, the Swiss Federal Supreme Court ruled that the claims arising from bonds held by pension funds against affiliated employers are to be classified as first-class claims in the event of bankruptcy. Although all federal judges found that the resulting unequal treatment of creditors was objectionable, the majority of them interpreted the wording of the law so literally that it was not possible to deviate from it. The Swiss Federal Supreme Court therefore overturned the ruling by the High Court of the Canton of Zurich and ruled in favour of the claim by the SAirGroup Management Insurance. This means that the claims by the SAirGroup Management Insurance and the SAirGroup pension fund arising from the bonds held by them (totalling 48,107,263.90 Swiss francs) have to be allocated to the first-class. This question remains open regarding the claims (amounting to 26,086,618.05 Swiss francs) by the reserve fund of the SAirGroup pension fund. Here there is disagreement as to whether this fund is a pension fund in accordance with Article 291, paragraph 4b of the Swiss Federal Debt Enforcement and Bankruptcy Law. The judge at the District Court of Zurich is of the opinion that it is not.

Third-class claims: In respect of third-class claims, at the beginning of 2008 there were still eight actions pending involving a total of 3,916,058,996.89 Swiss francs. At the end of 2008 there were seven pending actions involving a total of 3,899,342,163.61 Swiss francs. Five of these (involving a total of approximately 3.88 billion Swiss francs) concern complexities in Belgium. These proceedings have been suspended to await the outcome of the actions in Belgium. In its ruling dated 30 September 2008, the Swiss Federal Supreme Court decided in parallel proceedings involving SAirLines that the pending cases in Belgium did not justify the suspension of schedule of claims proceedings in Switzerland. The proceedings in question are now being pursued. In spring 2008 a settlement was reached in the case involving Manufacturers Hanover Leasing International Corp. Here the claimant agreed to reduce its claims from 14,927,755.43 to 5,971,102.50 Swiss francs. The claims were then recognised by SAirGroup and allocated to the third-class category.

VII. PLANNED NEXT STEPS IN THE PROCESS

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

The liquidation bodies will also conclude their investigations into responsibility claims and possibly instigate any further legal action. 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 issues are 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 distributed by not later than spring 2010.

Yours Faithfully,

SAirGroup in debt restructuring liquidation

The Liquidator

Karl Wüthrich

- Enclosures:
1. Liquidation status of SAirGroup as of 31 December 2008
 2. Summary of schedule of claims status

LIQUIDATION STATUS as of 31 December 2008

	31.12.2008	31.12.2007	Change
	CHF	CHF	CHF
ASSETS			
Liquid funds			
UBS AG CHF	529'812	446'980'588	-446'450'776
UBS AG USD	2'019	948'520	-946'501
UBS AG EUR	19'663	336	19'327
CREDIT SUISSE CHF	2'746'030	907'555	1'838'475
ZKB CHF	243'622'610	1'065'894	242'556'716
ZKB USD	1'930	0	1'930
Cash deposits ZKB ¹⁾	785'088'000	865'000'000	-79'912'000
Total liquid funds	1'032'010'064	1'314'902'893	-282'892'829
Liquidation positions:			
Accounts receivable	3'056'747	7'611'734	-4'554'987
Prepaid court expenses	10'127'185	9'033'685	1'093'500
Open apportionment of proceeds on sale of Swissport, Restorama, RailGourmet, and Nuance	39'613'558	39'613'558	0
Open apportionment of costs relating to Swissair, SAirLines, T Group and SAir Services Invest AG accrued during debt restructuring moratorium	6'870'523	7'299'237	-428'714
Receivables from third parties	86'551'480	86'597'342	-45'862
Real estate	83'859'325	87'305'725	-3'446'400
Furniture, fittings	3	3	0
Shareholdings, securities	376'509	376'509	0
Responsibility claims	p.m.	p.m.	
Pauliana claims	p.m.	p.m.	
Total liquidation positions	230'455'330	237'837'793	-7'382'463
TOTAL ASSETS	1'262'465'394	1'552'740'686	-290'275'292
LIABILITIES			
Debts of the estate			
Accounts payable	947'695	1'050'031	-102'336
Provision, 1st interim payment	723'882'410	1'166'325'337	-442'442'927
Provisions for liquidation costs	10'000'000	10'000'000	0
Total debts of the estate	734'830'105	1'177'375'368	-442'545'263
TOTAL DISPOSABLE ASSETS	527'635'290	375'365'318	152'269'971

¹⁾ CHF 30'000'000 is assigned as collateral for litigation deposits totalling CHF 27'866'000

Summary of schedule of claims status

Category	Registered		Schedule of claims				Dividend					
	Amount in CHF		Recognized	Admitted subject to conditions	Schedule of claims appeal pending	Suspended	Rejected	Future dividend		Total		
			Amount in CHF	Amount in CHF	Amount in CHF	Amount in CHF	Amount in CHF	minimal	maximal	minimal	maximal	
Secured by right of lien	-	-	-	-	-	-	-	-	-	-	-	-
First class	467'115'199.72	66'818'522.44	-	-	26'068'618.05	178'077'543.15	196'150'516.08	-	-	100%	100%	100%
Second class	828'070.62	501'929.90	-	-	-	224'571.12	101'569.60	-	-	100%	100%	100%
Third class ^{1) 2)}	48'432'959'819.94	9'954'059'419.23	519'208'717.28	519'208'717.28	3'901'083'428.46	4'373'281'117.52	30'204'535'854.73	1.9%	9.6%	5.9%	7.2%	14.9%
Total creditors' claims	48'900'903'090.28	10'021'379'871.57	519'208'717.28	519'208'717.28	3'927'152'046.51	4'551'583'231.79	30'400'787'940.41					

¹⁾ The minimal dividend calculation factors in 2% of conditional claims.

²⁾ The maximum dividend calculation factors in 40% of suspended third-class claims and 2% of conditional claims.