

SAirGroup AG
in debt restructuring liquidation

Circular No. 33

www.liquidator-swissair.ch

**Hotline SAirGroup AG
in debt restructuring liquidation**

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**Unofficial Translation
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To the creditors of SAirGroup AG
in debt restructuring liquidation

Küsnacht, May 2020

**SAirGroup AG in debt restructuring liquidation;
circular no. 33**

Dear Sir or Madam,

This circular provides information on the current status of the SAirGroup AG debt restructuring liquidation proceedings, as well as on how these proceedings are scheduled to progress over the coming months.

I. REPORT ON ACTIVITIES AS AT 31 DECEMBER 2019

After having been acknowledged and approved by the Creditors' Committee, the 17th Liquidator's report on activities for 2019 was submitted to the debt restructuring judge at the District Court of Zurich on 6 March 2020. The report on activities is available for inspection by the creditors at the offices of the Liquidator at Seestrasse 39, Goldbach Center, 8700 Kuesnacht, Switzerland until 25 May 2020. 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.

II. OVERVIEW OF THE PROGRESS OF THE LIQUIDATION PROCESS

1. ACTIVITIES OF THE LIQUIDATOR

The main activities of the Liquidator in 2019 were the collection of claims (see section IV.2 below) and the definition of basic principles for the distribution of revenues from the realisation of properties and participations abroad (see section III.2 below).

2. ACTIVITIES OF THE CREDITORS' COMMITTEE

The Creditors' Committee held no meetings in 2019. The Creditors' Committee decided on one proposal submitted by the Liquidator. This was done by means of circulars.

III. ASSET STATUS OF SAIRGROUP AS AT 31 DECEMBER 2019

1. INTRODUCTORY REMARKS

Enclosed is a report on the liquidation status of SAirGroup as at 31 December 2019 (Annex 1). It contains a statement of the assets of SAirGroup as at 31 December 2019 in accordance with the information currently available.

2. ASSETS

Liquid assets: The liquid assets are mainly held at Zürcher Kantonalbank ("ZKB"). Since 1 March 2015, ZKB has been charging negative interest on the assets of SAirGroup. In 2019, negative interest of CHF 821,751 was charged. The average negative interest that was charged was slightly less than 0.6 %.

Claims against third parties: The "Claims against third parties" item mainly consists of claims against former Swissair Group companies (see section IV.2. below). This position has been assessed conservatively in accordance with the information currently available.

Pending distribution of revenues from the sale or liquidation of foreign participations: SAirGroup and SAirLines AG under debt restructuring liquidation (hereafter referred to as "SAirLines") or Swissair Schweizerische Luftverkehrs-AG, which is likewise under debt restructuring liquidation (hereafter referred to as "Swissair"), dispute which of them is entitled to the revenues from the sale or liquidation of various foreign participations. The relevant facts have been

processed. The negotiations between the parties regarding the distribution of these revenues could not be completed in 2019. The value of this position may therefore still change.

Real estate: The distribution of the revenues from the sale of properties in Singapore, Mumbai, Tel Aviv, Istanbul, Madrid, Sao Paolo and Rio de Janeiro between SAirGroup and Swissair is still pending. The Deputy Liquidator of Swissair opposed a ruling by the Liquidator in 2019. This response prompted the Liquidator to obtain additional legal reports from attorneys abroad regarding the ownership of the properties in these places. These reports are now available. The negotiations can be continued. It is planned to finalise these matters in 2020. The value of this position may therefore still change.

3. DEBTS INCURRED IN THE COURSE OF THE LIQUIDATION PROCESS

Accounts payable: The accounts payable reported as at 31 December 2019 relate to costs incurred during debt restructuring liquidation.

Provisions for interim payments: SAirGroup's liquidation balance sheet as at 31 December 2019 includes the following provisions for the previous six interim payments:

Interim payment / Nature of provision	Missing payment instructions etc. in CHF 1,000	Conditional claims in CHF 1,000	Suspended claims in CHF 1,000	Total provisions in CHF 1,000
1st interim payment	3,620	917	12,740	17,277
2nd interim payment	2,434	363	4,110	6,907
3rd interim payment	3,116	450	5,088	8,654
4th interim payment	2,462	346	3,914	6,722
5th interim payment	9,006	1,125	12,270	22,851
6th interim payment	6,864	675	7,632	15,171

Interim payment / Nature of provision	Missing payment instructions etc. in CHF 1,000	Conditional claims in CHF 1,000	Suspended claims in CHF 1,000	Total provisions in CHF 1,000
Total provisions				77,582

In February 2020, a larger item was paid out amounting to around CHF 6.2 million. These provisions ensure that the maximum amounts for the six interim payments with respect to all unsettled claims are secured.

4. CREDITORS' CLAIMS

Reference is made to section V below for the current status of the schedule of claims proceedings. The overview of the schedule of claims proceedings (Annex 2) lists the claim amounts according to their classes and specifies whether they are currently registered, recognised, definitively rejected, in dispute (actions to contest the schedule of claims) or still suspended in the schedule of claims. The claim amounts in all classes are still subject to change as efforts to settle the schedule of claims proceed.

5. ESTIMATED LIQUIDATING DIVIDEND

The assets of SAirGroup have essentially been liquidated (see section III.2. above). Based on current knowledge, a liquidating dividend totalling about 23% can be anticipated. Of this, 22.4% has already been paid out in the first six interim payments. A final dividend of around 0.6% is therefore yet to be paid.

IV. REALISATION OF ASSETS

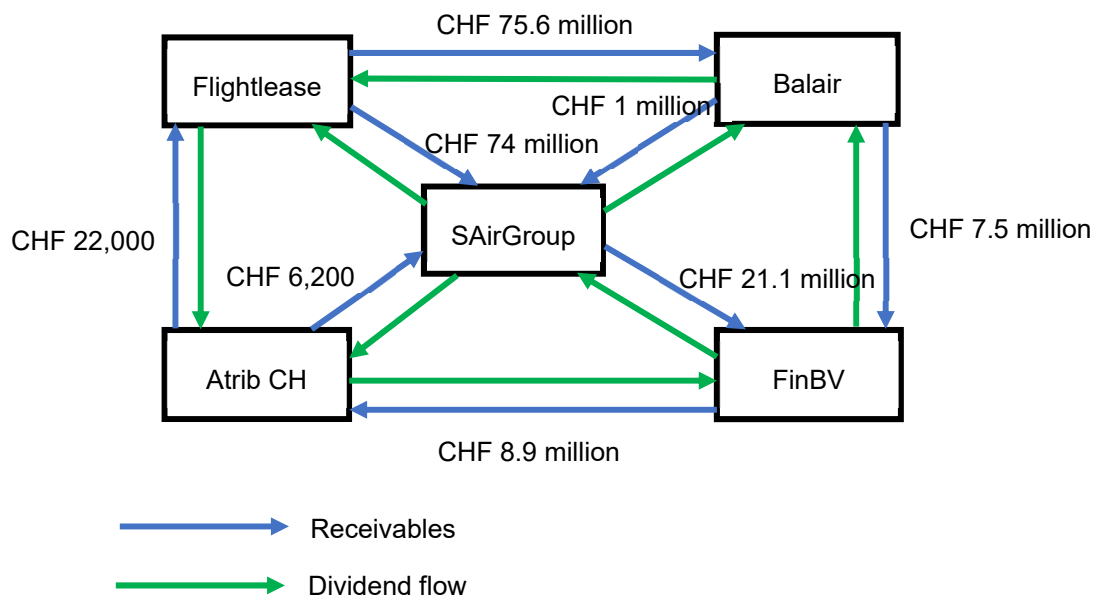
1. GENERAL

During the period under review, assets to the value of CHF 822,401 were realised.

2. CLAIMS AGAINST FORMER SWISSAIR GROUP COMPANIES; DISSOLUTION OF CIRCULAR FLOW OF DIVIDENDS

A portion of the assets belonging to SAirGroup that has not yet been realised consists of claims against former Swissair Group companies at home and abroad that are subject to insolvency or liquidation proceedings.

Reciprocal claims exist between different companies. This partially results in circular flows of dividends. For example, it results in the following configuration:



Each interim payment by one of the companies results in a small proportion finding its way back to the company making the payment via this circular flow of dividends. If it is not possible to interrupt the cash flows in these circular flows of dividends, it will ultimately not be possible to conclude the SAirGroup proceedings.

In the liquidation proceedings of the SAirGroup, SAirLines AG, Swissair and Flightlease AG (hereafter referred to as "Flightlease") different asset items have not yet been liquidated and the liquidation proceeds are not yet known. The revenues from the realisation of properties and participations abroad between SAirGroup and Swissair and between SAirGroup and SAirLines have yet to be distributed. There are different opinions regarding how the revenues should be distributed. The parties are currently negotiating about the liquidation assets. It is not yet clear when an agreement settling this matter can be reached. Furthermore, the assertion of responsibility claims against former directors and officers

of the SAirGroup, SAirLines, Swissair and Flightlease is not yet completed. This means that the result from the realisation of responsibility claims is not yet known. A decision has also not been made by SAirGroup regarding a responsibility claim submitted by Swissair in connection with the cash pool (see section V.1. below). Finally, an action to contest the schedule of claims of Swissair lodged by the Swiss ancillary insolvency estate of Sabena SA is still pending. This means that Swissair's schedule of claims is not yet legally binding.

The liquidators and administrators of the participating companies of the former Swissair Group have spent the past few months in negotiations about ways of breaking the existing flows of dividends. Based on a medium scenario for the liquidation proceeds of SAirGroup, SAirLines, Swissair and Flightlease, they have agreed to carry out sales of receivables which result in the flows being broken. As a result of this, the SAirGroup is purchasing the following receivables:

Seller	Debtor	Nominal claim		Purchase price	
Atrib Management	SAirGroup	CHF	1,000,000.00	CHF	11,100
Atrib Switzerland	SAirGroup	CHF	6,246.47	CHF	70
Balair	SAirGroup	CHF	1,000,000.00	CHF	11,100
Swisscargo	SAirGroup	CHF	102,714,373.90	CHF	1,140,130

The agreement to break the circular flows of dividends has been signed by the involved parties. Still outstanding is the consent by the respectively responsible bankruptcy or liquidation bodies, which in the case of the SAirGroup is the Creditors' Committee. If an agreement can be reached, it would become possible to conclude the liquidation proceedings of most former companies of the Swissair Group. In this context, it will become possible to collect a large part of the SAirGroup's claims against third parties. The only thing left outstanding would then be collecting the claim against SAirLines.

3. PURSUIT OF RESPONSIBILITY CLAIMS

With regard to various responsibility issues, SAirGroup reserves the right to submit claims against the responsible parties. Last autumn, the Federal Supreme Court made an important ruling regarding the responsibility claims being pursued by Swissair (see section V.1. below). The Liquidator will make a proposal to the Creditors' Committee in the next few weeks on how to proceed with this issue, taking the ruling of the Federal Supreme Court into account.

V. SETTLEMENT OF LIABILITIES

1. SCHEDULE OF CLAIMS PROCEEDINGS

Supplement no. 5 on the schedule of claims was published for inspection by creditors in May 2019. In the meantime, this supplement has become legally binding.

SAirGroup's schedule of claims has therefore essentially been settled. At the moment, the assessment and decision of only a few claims are suspended. In this context it is worth mentioning the claim for around CHF 196 million, which is currently suspended, made by Swissair from liability under company law (participation in the group cash pool). The decision on whether to recognise or reject this claim was suspended until a legally valid judgement is available in Swissair's legal suit against its officers and directors. The Commercial Court of the Canton of Zurich rejected this claim in a ruling dated 16 March 2018. The Federal Supreme Court confirmed the ruling by the Commercial Court in a decision dated 18 November 2019. The Liquidator will examine the claim submitted by Swissair based on the ruling by the Federal Supreme Court, and will make a decision on whether to recognise or reject it in the next few weeks.

2. CIVIL PROCEEDINGS IN BELGIUM

The civil proceedings in Belgium have been suspended for some time because the criminal investigation being carried out in Belgium has not yet been finished. In autumn 2019 the Belgian government and the companies controlled by it made a request to the court to continue with the proceedings. The court has yet to reach a decision on this request.

The outcome of the civil proceedings in Belgium may not have any more influence on the SAirGroup's schedule of claims, because the claims of the Belgian government and the companies controlled by it in Switzerland have already been rejected without the possibility of appeal. The same applies to the claims of Sabena SA. Even if claims will have to be admitted in the SAirGroup's schedule of claims as a result of these civil proceedings, they would only be entitled to the final payment (roughly 0.6%; see section III.5. above) due to the fact that these claims were submitted late. In the light of this situation, the Liquidator will keep the defence costs in Belgium as low as possible.

VI. HOW THE PROCEEDINGS ARE EXPECTED TO PROGRESS

In the coming months, an agreement should be reached with Swissair and SAir-Lines about the division of the revenues from the sale of properties and participations abroad and from the sale or liquidation of participations abroad. The basic principles have already been drawn up. If the agreement regarding circular flows of dividends is reached (see section IV.2. above), the basis for collecting the claims against former Swissair Group companies would have been created. These asset items could then be quickly resolved. Otherwise, new solutions for breaking the circular flow of dividends must be found. The liquidation bodies will then examine and decide on the steps that should be taken next with regard to responsibility claims.

Depending on how the proceedings progress, creditors will continue to receive information about important developments by means of circulars. A report on the progress of the liquidation process this year will be issued by early 2021 at the latest.

Kind regards

SAirGroup AG in debt restructuring liquidation
The Liquidator:

Karl Wüthrich

- Annexes:
1. Liquidation status of SAirGroup as at 31 December 2019
 2. Overview of the schedule of claims proceedings of SAirGroup

LIQUIDATION STATUS as at 31 December 2019

	31.12.2019	31.12.2018	Change
	CHF	CHF	CHF
ASSETS			
Liquid funds			
UBS AG CHF	58'924	59'076	-152
ZKB CHF	18'873'653	39'827'092	-20'953'439
ZKB USD	28'617	27'861	755
ZKB EUR	25'997	9'489	16'508
ZKB Fixed term deposit	110'000'000	90'000'000	20'000'000
Total liquid funds	128'987'192	129'923'519	-936'328
Liquidation positions:			
Accounts receivable	79'497	5'699'115	-5'619'618
Prepaid court expenses	0	0	0
Receivables from third parties	6'410'000	8'265'000	-1'855'000
Open apportionment of proceeds on sale/liquidation of foreign assets	6'500'000	6'500'000	0
Real estate (part of revenues)	9'500'000	8'000'000	1'500'000
IT-Equipment	2	2	0
Shareholdings, securities	p.m.	p.m.	
Responsibility claims	p.m.	p.m.	
Total liquidation positions	22'489'499	28'464'117	-5'974'618
TOTAL ASSETS	151'476'690	158'387'636	-6'910'946
LIABILITIES			
Debts of the estate			
Accounts payable	39'306	3'935'306	-3'896'000
Provision, 1st interim payment	17'277'702	17'397'541	-119'839
Provision, 2nd interim payment	6'907'425	6'946'033	-38'608
Provision, 3rd interim payment	8'654'336	8'711'714	-57'379
Provision, 4th interim payment	6'722'087	6'779'591	-57'504
Provision, 5th interim payment	22'851'626	23'013'761	-162'135
Provision, 6th interim payment	15'171'738	16'676'056	-1'504'317
Provisions for liquidation costs	10'000'000	10'000'000	0
Total debts of the estate	87'624'221	93'460'002	-5'835'781
TOTAL DISPOSABLE ASSETS	63'852'469	64'927'634	-1'075'165

Overview of the schedule of claims proceedings of SAirGroup

Category	Registered		Schedule of claims					Dividend					
	Amount in CHF		Recognized	Admitted subject to conditions	Schedule of claims appeal pending	Suspended / New registration	Rejected	Interim payments		Future dividend		Total	
			Amount in CHF	Amount in CHF	Amount in CHF	Amount in CHF	Amount in CHF	minimal	maximal	minimal	maximal	minimal	maximal
Secured by right of lien	-	-	-	-	-	-	-	-	-	-	-	-	-
First class	368'483'558.54	77'598'328.29	-	-	2'368'072.68	288'517'157.57	100%	-	-	100%	100%	100%	100%
Second class	862'982.92	705'878.35	-	-	235.55	156'869.02	100%	-	-	100%	100%	100%	100%
Third class ^{1) 2) 3)}	48'366'215'769.09	11'166'302'157.31	17'308'811.14	-	195'700'846.78	36'986'903'953.86	22.4%	0.6%	0.7%	23.0%	23.1%	23.1%	23.1%
Total creditors' claims	48'735'562'310.55	11'244'606'363.95	17'308'811.14	-	198'069'155.01	37'275'577'980.45							

1) The minimal dividend calculation factors in 100% of conditional claims.

2) The maximum dividend calculation factors in 40% of suspended third-class claims and 0% of conditional claims.

3) From the total of the recognized claims the following registered claims which have in the meantime received full payment through dividend and third party payments have been deducted:

- Bank of America 81'064'375.50
 - USD-Bond 539'953'749.75