

**SAirGroup in
debt restructuring liquidation**

Circular No. 26

www.liquidator-swissair.ch

**Hotline SAirGroup
in debt restructuring liquidation**

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

Français: +41-43-222-38-40

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

**Unofficial Translation
of German Original**

Wenger Plattner
Seestrasse 39 | PO Box
CH-8700 Küsnacht-Zürich

T +41 43 222 38 00
F +41 43 222 38 01
www.wenger-plattner.ch

To the creditors of SAirGroup AG
in debt restructuring liquidation

Karl Wüthrich, lic. iur.
Attorney at Law | Rechtsanwalt
swissair@wenger-plattner.ch
Eingetragen im Anwaltsregister

Küsnacht, April 2016

X5176171.docx/WuK

SAirGroup AG in debt restructuring liquidation; Circular no. 26

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. PUBLICATION OF SUPPLEMENT NO. 4 TO THE SCHEDULE OF CLAIMS

Since the publication of the schedule of claims and supplements no. 1–3, an additional previously suspended claim has been assessed. For this reason, supplement no. 4 to the schedule of claims will be published.

Supplement no. 4 is available for inspection by the creditors from 20 April 2016 to 10 May 2016 at the offices of the Liquidator, Karl Wüthrich, Wenger Plattner Solicitors, Seestrasse 39, Goldbach-Center, 8700 Küsnacht (please call the hotline on +41 (0)43 222 38 50 to arrange an appointment).

Actions to contest supplement no. 4 to the schedule of claims must be lodged with the single judge court at the District Court of Zurich, Wengistrasse 30, P.O. Box, 8026 Zurich, within 20 days of the official notice in the Swiss Official Gazette of Commerce dated 20 April 2016, that is before 10 May 2016 (date of

postmark by a Swiss post office). If no action is filed, supplement no. 4 to the schedule of claims will become legally binding.

II. INTERIM PAYMENT

Owing to the current financial situation of SAirGroup 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 fourth interim payment of 2% to creditors with recognized 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 at the earliest from mid-May 2016.

III. REPORT ON ACTIVITIES AS OF 31 DECEMBER 2015

After having been acknowledged and approved by the Creditors' Committee, the 13th Liquidator's report on activities for 2015 was submitted to the debt restructuring judge at the District Court of Zurich on 8 March 2016. The report is available for inspection by the creditors at the Liquidator's offices at Seestrasse 39, Goldbach Center, 8700 Küsnacht, until 2 May 2016. If you wish to inspect the report, please call the hotline on +41 (0)43 222 38 50.

The following pages summarize the report on activities and cover the issues the creditors have not already been informed about by way of previous circulars.

IV. OVERVIEW OF THE LIQUIDATION PROCESS

1. ACTIVITIES OF THE LIQUIDATOR

The activities of the Liquidator in 2015 concentrated on settling liabilities, including pursuing actions brought by creditors to contest the schedule of claims (see section VIII.1 below), selling the property "Maker Chambers" in India (see section VI.2 below), selling the claim against Aerolinee Itavia S.p.A. in liquidation to J-Invest S.p.A. (see section VI.3 below), apportioning proceeds from the crude oil refund (cf. section VI.4 below), apportioning proceeds from the liquidation of Global Excellence (India) Private Limited (cf. section VI.5 below), examining and planning structural investments in the Swissair Centre in Geneva (cf. section VI.6 below), conducting legal proceedings relating to responsibility on the part of directors and officers (see section VII below) and conducting legal pro-

ceedings against Gate Gourmet Switzerland GmbH relating to the stake in the Swissair VAT group.

2. ACTIVITIES OF THE CREDITORS' COMMITTEE

The Creditors' Committee held two meetings and three telephone conferences in 2015. At its meetings and telephone conferences, the Creditors' Committee discussed the proposals submitted by the Liquidator and passed resolutions accordingly. It also passed resolutions on various proposals submitted by the Liquidator in the form of circulars.

V. ASSET STATUS OF SAIRGROUP AS OF 31 DECEMBER 2015

1. INTRODUCTORY REMARKS

Enclosed is a report on the liquidation status of SAirGroup as of 31 December 2015 (Enclosure 1). It contains a statement of assets of SAirGroup as of 31 December 2015, taking account of the changes that have occurred since then and according to the information currently available.

2. ASSETS

Liquid funds: The liquid funds are mainly held at Zürcher Kantonalbank ("ZKB"). Since 1 March 2015, ZKB has been charging negative interest on the assets of SAirGroup. 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.

Pending apportionment of proceeds from the sale of Restorama/RailGourmet: It has been possible to close the escrow account pertaining to Restorama/RailGourmet (see Circular no. 10, section IV). Based on the agreement with SAirLines of May 2006, SAirGroup received CHF 5,445,671.

Court deposits: In recent years, SAirGroup has had to make several court deposits in connection with the initiation of a number of avoidance and responsibility claims. As at 31 December 2015, these deposits amounted to CHF 979,000. The amount of the court deposits changed in 2015 due to the termination of the responsibility proceedings mentioned (see section VII below).

Assets as yet unrealized: This item still consists primarily of claims against former Swissair group companies, shareholdings held by SAirGroup, the stake in the Swissair Centre at Geneva Airport (the last property held within Switzer-

land), the profit share from the sale of the properties abroad, insofar as those belonged to SAirGroup, and securities. Furthermore, any responsibility claims are included in the liquidation status pro memoria.

3. DEBTS INCURRED IN THE COURSE OF THE LIQUIDATION PROCESS

Accounts payable: The accounts payable reported as of 31 December 2015 relate to costs incurred during debt restructuring liquidation.

Provisions for interim payments: SAirGroup's liquidation status as of 31 December 2015 includes the following provisions for the first, second and third interim payments, taking account of the changes that have occurred since then:

Nature of provision	1st interim payment in CHF	2nd interim payment in CHF	3rd interim payment in CHF
No payment instructions or payments not carried out for other reasons	8,781,627	3,574,135	5,615,267
Contingent claims where conditions not yet met	917,546	363,556	450,117
Claims in pending schedule of claims proceedings	125,015,528	49,534,455	61,328,372
Suspended claims	251,766,059	98,617,559	122,097,931
Total provisions	386,480,760	152,089,705	189,491,687

These provisions ensure that the maximum amounts for the three interim payments with respect to all unsettled claims are guaranteed.

4. CREDITORS' CLAIMS

For the current status of the schedule of claims proceedings, please see section VIII.1 below. The overview of the schedule of claims proceedings (Enclosure 2) lists the claim amounts according to their classes and specifies whether they are currently registered, recognized, 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 DIVIDEND

The disposable assets reported in the liquidation status give a maximum dividend of 18.9%, provided that all of the still pending actions to contest the schedule of claims are dismissed and no more than 40% of suspended claims have to be recognized. However, if all of the actions are upheld and the suspended claims have to be recognized in full, the minimum dividend would be 13%. Of this, 10% has already been paid out by way of previous interim payments. The future dividend that may be expected, therefore, is between 3% and 8.9%.

VI. LIQUIDATION OF ASSETS

1. GENERAL INFORMATION

The Liquidator continued to collect accounts receivable both in Switzerland and abroad during the period under review. As a result, an amount of CHF 6,055,427 was collected.

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 Swiss Air Transport Company Limited in debt restructuring liquidation (“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. 23, section IV.2). 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. SALE OF THE CLAIM AGAINST AEROLINEE ITAVIA S.P.A. IN LIQUIDATION TO J-INVEST S.P.A.

Flight 870, operated by the Italian airline Aerolinee Itavia S.p.A. ("Itavia"), crashed on 27 June 1980. Itavia found itself in financial difficulties as a result and had to file for bankruptcy. Insolvency proceedings were opened against Itavia on 1 August 1981.

The branch of the then (old) Swissair (i.e. the current SAirGroup) in Rome registered claims against Itavia in the insolvency proceedings. The background to these claims is not known. SAirGroup's claims amounting to ITL 465,477,426 (EUR 240,399.03) were then recognized by Itavia in its "Stato passivo". How high the insolvency dividend will be and when the insolvency proceedings may be completed is difficult to estimate due to the investigations in Italy. Both depend on the outcome of proceedings brought by Itavia against the Italian government, which have been pending for many years.

In autumn 2014, various parties took an interest in purchasing SAirGroup's claims against Itavia. Following negotiations with these potential buyers, it proved possible to sell the claim for EUR 120,199.51 to J-Invest S.p.A. The sale has now been completed.

4. APPORTIONING THE PROCEEDS FROM THE US CRUDE OIL REFUND FROM 1973 TO 1981

Between 1973 and 1981, prices for fuel, including kerosene, were government-regulated in the US. For reasons that are no longer clear today, various airlines were billed excessive amounts during this period. The United States Department of Energy later issued successive refunds of the wrongly paid or inflated prices.

The price differences were refunded in a total of four tranches. The first two tranches were paid out to SAirGroup in 1987 and 1995/1996 before the Swissair group was restructured, whereas the remaining two tranches, totalling USD 109,348, or CHF 132,576, were not paid out until 2006 and 2008. The money was transferred to a blocked account of SAirGroup/Swissair.

SAirGroup and Swissair, with the approval of the Creditors' Committees, have since come to an agreement that the proceeds, in the amount of CHF 132,576, are to be apportioned in their entirety to SAirGroup.

5. 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 in India for the old Swissair. 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). So, 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.

6. STRUCTURAL INVESTMENTS IN THE SWISSAIR CENTRE

A rental agreement for office space in the Swissair Centre in Geneva exists between SAirGroup and Louis Dreyfus Commodities Suisse SA (“LD”). LD had a right, until 31 November 2015, to terminate the agreement early as of 31 May 2016. For the rest, the rental agreement is due to expire on 31 May 2017, with an option to extend it for a further five years.

In the second half of 2014, LD approached SAirGroup with various demands in connection with structural improvements to the rented property. In autumn 2014, LD announced its intention to exercise its right to terminate the agreement as of 31 May 2016 if a consensus could not be reached concerning the structural measures. Following negotiations, SAirGroup and LD agreed that SAirGroup would invest around CHF 3.3 million. Money will primarily be invested in the ventilation, air conditioning, kitchen, floor coverings and sanitary areas. In return, the rental contract with LD was extended by a fixed rental period of 5 years.

SAirGroup, with the agreement of the Creditors’ Committee, agreed to the structural investments particularly because the city of Geneva has a high number of

vacant business premises at present (even in good locations near the airport) and SAirGroup was keen to secure the rental agreement with LD for a longer period on the existing terms. In addition, the investments will not only guarantee a regular rental income until the sale of the rented property, but will also increase the appeal of the Swissair Centre to potential buyers. The selling process is underway.

VII. PURSUIT OF RESPONSIBILITY CLAIMS

1. PAYMENTS IN SEPTEMBER 2001

On 27 June 2012, SAirGroup lodged the “payments in September 2001” responsibility claim against various defendants with the Commercial Court of the Canton of Zurich (“Commercial Court”) (cf. Circular no. 23, section V.1.1 and Circular no. 24, section V.1.1). In its judgement of 1 July 2015, the Commercial Court rejected the claim mainly on the grounds that SAirGroup had not incurred any loss from these payments. The civil appeal lodged against this judgment by SAirGroup was rejected by the Federal Supreme Court in its ruling of 10 December 2015. By departing from its case law in the “Raichle Ruling” from 2000, the Federal Supreme Court upheld the concept of loss applied by the Commercial Court.

2. ACQUISITION OF AIR LITTORAL

On 6 July 2012, SAirGroup also lodged the “Acquisition of Air Littoral” responsibility claim with the Commercial Court (cf. Circular no. 23, section V.1.2). In its judgement of 26 January 2015, the Commercial Court rejected the SAirGroup claim (cf. Circular no. 24, section V.1.2). The liquidation bodies of SAirGroup decided not to lodge a civil appeal against the judgement with the Federal Supreme Court. The judgement has now become legally binding.

3. FURTHER AREAS OF RESPONSIBILITY

During the processing of the responsibility claims, other facts and circumstances have been identified that might lead to claims for compensation. The Liquidator will re-examine the situation over the next few months based on the court rulings rendered in the meantime.

VIII. SETTLEMENT OF LIABILITIES

1. SCHEDULE OF CLAIMS PROCEEDINGS

First-class and second-class claims: No actions to contest the schedule of first-class or second-class claims were still pending in 2015.

A settlement was reached between Karin Anderegg Bigger and SAirGroup on 22/24 April 2015, with the agreement of the Creditors' Committee, concerning claims registered but so far suspended. According to this settlement, Karin Anderegg Bigger was admitted to the first class of the SAirGroup schedule of claims with claims in the amount of CHF 109,551.15.

Third-class claims: One action regarding third-class claims totalling CHF 2,387,468,475.45 was still pending at the end of 2015.

In the action contesting the schedule of claims filed by Sabena SA in liquidation (hereinafter "Sabena") (see Circular no. 23, section VI.1 and Circular no. 24, section VI.1), the single judge court at the District Court of Zurich again rejected Sabena's claim in the amount of CHF 2,358,783,548.45 with a ruling on 19 January 2016 and allowed CHF 28,684,927 only. Sabena now has the option to lodge an appeal against this ruling with the High Court of the Canton of Zurich.

On 1 December 2014, the Swiss Federal Tax Administration registered a new third-class claim of CHF 6,891,729.97 for value-added tax owed before 1 January 1999. This claim has since been recognized in the SAirGroup schedule of claims and become legally binding.

2. CIVIL ACTIONS IN BELGIUM

Sabena's liquidator has not yet further substantiated the claimed damages before the Court of Appeal in Brussels (see Circular no. 24, section VI.2). If the High Court of the Canton of Zurich and the Federal Supreme Court adhere to the practice they applied in the SAirLines case, the outcome of these civil proceedings should not have any further impact on the pending action contesting the schedule of claims filed by Sabena.

3. EXEQUATUR PROCEEDINGS IN SWITZERLAND

In revision proceedings against the Federal Supreme Court ruling of 8 May 2014 regarding exequatur (see Circular no. 24, section VI.3), the Federal Supreme Court rejected the application for revision lodged by Sabena by its rul-

ing of 27 February 2015. As a result, the question of the recognition and enforceability of the Brussels Appeal Court's ruling of 27 January 2011 has been answered in the negative with legally binding effect.

IX. NEXT STEPS IN THE PROCESS

The complex mutual claims with SAirLines and Swissair were processed in 2015. Discussions are currently being held between the liquidators to settle the mutual claims. The intention is to find mutually acceptable solutions. This will enable the claims that were previously suspended in the schedule of claims to be settled as well.

The liquidation bodies will examine and decide on the steps that should be taken next concerning responsibility claims. The sales process that is already underway regarding the Swissair Centre in Geneva will be continued. The goal is to sell the property during 2016.

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 this year will be issued by spring 2017 at the latest.

Kind regards

SAirGroup AG in debt restructuring liquidation
The Liquidator:

Karl Wüthrich

Enclosed: 1. Liquidation status of SAirGroup as at 31 December 2015
2. Overview of the schedule of claims proceedings of SAirGroup

LIQUIDATION STATUS as at 31 December 2015

	31.12.2015	31.12.2014	Change
	CHF	CHF	CHF
ASSETS			
Liquid funds			
UBS AG CHF	1'278'262	801'399	476'863
ZKB CHF	429'632'611	1'074'281'805	-644'649'194
ZKB USD	23'911	7'074	16'837
ZKB EUR	1'289'024	2'357	1'286'667
ZKB Fixed term deposit	650'000'000	0	650'000'000
Total liquid funds	1'082'223'808	1'075'092'635	7'131'173
Liquidation positions:			
Accounts receivable	461'082	416'115	44'967
Prepaid court expenses	979'000	6'992'000	-6'013'000
Open apportionment of proceeds on sale of Restorama/RailGourmet	0	5'000'000	-5'000'000
Receivables from third parties	78'581'177	78'457'430	123'747
Real estate	73'100'001	73'100'001	0
IT-Equipment	2	2	0
Shareholdings, securities	1	1	0
Responsibility claims	p.m.	p.m.	
Total liquidation positions	153'121'263	163'965'549	-10'844'286
TOTAL ASSETS	1'235'345'071	1'239'058'184	-3'713'113
LIABILITIES			
Debts of the estate			
Accounts payable	507'013	498'018	8'995
Provision, 1st interim payment	386'480'760	534'131'109	-147'650'349
Provision, 2nd interim payment	152'089'705	171'503'015	-19'413'310
Provision, 3rd interim payment	189'491'687	214'105'825	-24'614'138
Provisions for liquidation costs	10'000'000	10'000'000	0
Total debts of the estate	738'569'164	930'237'967	-191'668'803
TOTAL DISPOSABLE ASSETS	496'775'907	308'820'217	187'955'690

Overview of the schedule of claims proceedings of SAirGroup

Category	Schedule of claims						Dividend				
	Registered	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	Amount in CHF		minimal	maximal	minimal	maximal
Secured by right of lien	-	-	-	-	-	-	-	-	-	-	-
First class	368'483'558.54	77'598'328.29	-	-	2'873'887.30	288'011'342.95	100%	-	-	100%	100%
Second class	828'861.67	705'878.35	-	-	235.55	122'747.77	100%	-	-	100%	100%
Third class ^{1) 2) 3)}	48'366'215'769.09	9'584'609'977.04	17'312'189.34	2'358'783'548.45	4'696'074'258.68	31'709'435'795.58	10.0%	3.0%	8.9%	13.0%	18.9%
Total creditors' claims	48'735'528'189.30	9'662'914'183.68	17'312'189.34	2'358'783'548.45	4'698'948'381.53	31'997'569'886.30					

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 539'953'750.00

www.liquidator-swissair.ch

**Hotline SAirGroup
in debt restructuring liquidation**

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

Français: +41-43-222-38-40

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