

To the creditors of SAirLines AG
in debt restructuring liquidation

Küsnacht, December 2016

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SAirLines AG in debt restructuring liquidation; Circular no. 22

Dear Sir or Madam

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

I. SALE OF THE CLAIMS AGAINST THE VOLARE COMPANIES

The Volare group was an Italian holding company set up in 2000 which united Volare Airlines and Air Europe under one roof. At the end of 2000, SAirLines AG held a 49.79% stake in the Volare group. On 1 February 2001 SAirLines AG sold the stake in the Volare group to the co-shareholder Gino Zoccai, respectively a company controlled by him. Reciprocal claims between the companies of the Swissair group and the Volare companies were settled on that occasion. Within the scope of this transaction, the Volare companies undertook to pay a total of CHF 70 million to the companies of the Swissair group involved.

Payment problems on the part of the Volare companies led to the sale agreement being modified several times and the payment deadlines being extended. At the end of 2004 the three Volare companies were declared insolvent in Italy. Up until this point in time, the Volare companies, Gino Zoccai and the banks that had provided guarantees had paid around CHF 66 million to

the Swissair companies. SAirGroup AG in debt restructuring liquidation ("SAirGroup") registered the claims for the outstanding capital and interest for each of the Swissair companies in the insolvency proceedings of the Volare companies. In January 2006 claims amounting to EUR 4,095,855.43 were admitted as non-privileged claims in each of the three proceedings. Since then no interim payments have been made to the creditors in these proceedings. No information regarding the status and probable outcome of the insolvency proceedings is available. It is unclear how long the proceedings will last.

In June 2016 Duepuntozero NPL S.p.A. ("Duepuntozero"), an Italian investment company, announced that it was interested in acquiring the recognised claims of the Swissair companies against the Volare companies. Negotiations were then held and SAirGroup on behalf of the Swissair companies reached an agreement with Duepuntozero in October 2016 to sell the claims for a total price of EUR 600,000. The Creditors' Committee and the Swissair companies involved have in the meantime approved the sale of the claims against the Volare companies. SAirLines will receive EUR 184'911 (30.8185% of EUR 600,000) from this sale.

II. SETTLEMENT OF CLAIMS WITHIN THE GROUP

1. SETTLEMENT WITH SAIRGROUP AG IN DEBT RESTRUCTURING LIQUIDATION REGARDING RECIPROCAL CLAIMS

SAirLines registered claims in various currencies equivalent to a total of around CHF 315 million in the debt restructuring proceedings against SAirGroup. The main reasons given by SAirLines for these claims were loans, challengeable acts and compensation for services within the group. Furthermore, it asserted responsibility claims against SAirGroup as the de facto corporate body of SAirLines.

In the debt restructuring proceedings against SAirLines, SAirGroup in turn registered claims in various currencies equivalent to a total of around CHF 3 billion, of which around CHF 250 million with preferential rights to the assets of S Air Logistics AG, S Air Relations AG, S Air Services AG and Roscor AG which merged into SAirLines. The main reasons given by SAirGroup for these claims were loans, challengeable acts and compensation for services within the group.

The Co-Liquidators of SAirLines on the one hand and the Liquidator of SAirGroup on the other examined the claims registered in each case. They took up negotiations in spring 2016 to settle the reciprocal claims. The litigation risks

in relation to the claims disputed in each case were discussed in these negotiations. Both parties were in agreement that legal disputes would be lengthy owing to the complexity of the matter and that the outcome of such legal proceedings could not be predicted. For this reason an amicable solution that was acceptable for both parties was sought.

The negotiations ended successfully in summer 2016 with the conclusion of a settlement with the following key points:

- SAirGroup reduces its registered claims against SAirLines to CHF 1,000,000,000. SAirLines recognises the claims in this amount. The recognised claims are included in SAirLines's schedule of claims as follows:
 - CHF 50,000,000 with a preferential right to the assets of S Air Logistics AG;
 - CHF 30,000,000 with a preferential right to the assets of S Air Services AG;
 - CHF 70,000,000 with a preferential right to the assets of S Air Relations AG;
 - CHF 850,000,000 included in the third class.
- SAirLines fully withdraws its registered claims against SAirGroup.
- The payment of the four interim payments due totalling 14.4% on the recognised claim of CHF 850 million as well as the payment of the interim payment of 100% on the recognised claims with preferential rights totalling CHF 150 million will be made after the settlement comes into force and after it has been announced to the creditors of SAirGroup and SAirLines.
- Once this settlement is fulfilled, the parties declare all claims to have been settled. Any debts incurred in the course of the liquidation proceedings as well as claims in respect of the distribution of sale proceeds in connection with the realisation of assets, the allocation of which is still open at present, are excluded from this settlement clause.
- The settlement comes into force if it is approved by the Creditors' Committees of SAirGroup and SAirLines.

The Creditors' Committees of SAirLines and SAirGroup approved the settlement at their meetings in November 2016.

As a result of this settlement, the reciprocal claims between SAirLines and SAirGroup will be settled without lengthy court proceedings. SAirGroup will receive the further dividend payments from SAirLines like all other creditors. SAirLines has no more creditors' claims against SAirGroup.

2. SETTLEMENT WITH SWISSAIR SWISS AIR TRANSPORT COMPANY LTD IN DEBT RESTRUCTURING LIQUIDATION REGARDING RECIPROCAL CLAIMS

SAirLines registered a loan claim of around CHF 108 million in the debt restructuring proceedings against Swissair Swiss Air Transport Company Ltd in debt restructuring liquidation ("Swissair").

In the debt restructuring proceedings against SAirLines, Swissair in turn registered claims in connection with the Equant stake of around CHF 170 million (violation of the capital repayment ban and revival of the obligation for payment under subscription).

The Co-Liquidators of SAirLines on the one hand and the Deputy Liquidator of Swissair on the other examined the claims registered in each case with their teams. They took up negotiations in spring 2016 to settle the reciprocal claims. The litigation risks involved with the claims disputed in each case were discussed in these negotiations. Both parties were in agreement that legal disputes would be lengthy owing to the complexity of the matter and that the outcome of such legal proceedings cannot be predicted. For this reason an amicable solution that was acceptable for both parties was sought. The negotiations ended successfully in summer 2016 with the conclusion of a settlement with the following key points:

- SAirLines reduces its registered claim against Swissair to CHF 64.8 million. Swissair recognises this claim in the schedule of claims in the third class.
- Swissair fully withdraws its registered claim against SAirLines.
- The interim payments paid by Swissair to its creditors to date totalling 8.1% will be paid out to SAirLines on the recognised claim of CHF 64.8 million after the settlement comes into force and after it has been announced to the creditors of SAirLines and Swissair.
- Once this settlement is fulfilled, the parties declare all claims to have been settled. Any debts incurred in the course of the liquidation proceedings as well as claims in respect of the distribution of sale proceeds in connection with the realisation of assets, the allocation of which is still open at present, are excluded from this settlement clause.
- The settlement comes into force if it is approved by the Creditors' Committees of SAirLines and Swissair.

The Creditors' Committees of SAirLines and Swissair approved the settlement at their meetings in November 2016.

As a result of this settlement, the reciprocal claims between SAirLines and Swissair will be settled without lengthy court proceedings. SAirLines will receive the further dividend payments from Swissair like all other creditors. Swissair has no further creditors' claims against SAirLines.

III. DIVIDEND

The asset side of SAirLines's balance sheet has now essentially been settled. The distribution of the sales proceeds for the properties abroad between SAirGroup, Swissair and SAirLines as well as responsibility claims are still open. As regards the claims against group companies that are in insolvency proceedings at home and abroad, it is a question of waiting for receipt of the insolvency dividends on the recognised claims.

Based on current knowledge, a dividend totalling 38.4% can be anticipated. Of this, 14.4% has already been paid out in the first four interim payments. The dividend still to be expected in future will amount correspondingly to 24%.

IV. 5. INTERIM PAYMENT

As a result of the settlement of the transactions described in Sections I. and II. above, relatively large amounts of liquid funds will be allocated to the estate, and provisions for the suspended claims that now do not have to be recognised will be released. It will therefore be possible in the first half of 2017 to pay out a fifth interim payment of 22% to creditors with recognised third-class claims.

We will inform the creditors in spring 2017 about the 2016 report on activities and the execution of the fifth interim payment by means of a Circular.

Kind regards

SAirLines AG in debt restructuring liquidation
The Liquidators:

Karl Wüthrich

Prof. Dr. Roger Giroud