

**Unofficial Translation  
of German Original**

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To the creditors of SAirLines AG  
in debt restructuring liquidation

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## **SAirLines AG in debt restructuring liquidation; Circular no. 24**

Dear Sir or Madam

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

### **I. SIXTH INTERIM PAYMENT**

Owing to the current financial situation of SAirLines, the Liquidators and the Creditors' Committee have decided to issue a sixth interim payment of 2.9% to the creditors with recognised third-class claims. Preparations for this interim payment have now been completed. Please find enclosed with this Circular the relevant special notice, which provides more procedural details.

### **II. REPORT ON ACTIVITIES AS OF 31 DECEMBER 2017**

Having been acknowledged and approved by the Creditors' Committee, the fifteenth of the Liquidators' reports on activities for 2017 was submitted to the debt restructuring judge at the District Court of Zurich on 5 March 2018. The re-

port on activities is available for inspection by creditors at the offices of the Co-Liquidator Karl Wüthrich, Wenger Plattner, Seestrasse 39, Goldbach Center, 8700 Küsnacht, until 11 June 2018. If you wish to inspect the report, please call the hotline on +41 43 222 38 50.

The report on activities is summarised below.

### **III. OVERVIEW OF THE LIQUIDATION PROCESS**

#### **1. ACTIVITIES OF THE LIQUIDATORS**

Last year, the Liquidators focused on concluding a partial settlement concerning the liability claims (see section VI.1. below), collecting claims and issuing the fifth interim payment to the creditors with third-class claims.

#### **2. ACTIVITIES OF THE CREDITORS' COMMITTEE**

The Creditors' Committee held no meetings in 2017. It passed two resolutions by circular motion on two proposals submitted by the Liquidators.

### **IV. ASSET STATUS OF SAIRLINES AS OF 31 DECEMBER 2017**

#### **1. INTRODUCTORY REMARKS**

Enclosed is a report on the liquidation status of SAirLines as of 31 December 2017 (Enclosure 1). It contains a statement of assets and liabilities of SAirLines as of 31 December 2017 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 SAirLines. In 2017, negative interest of CHF 1,543,960 was charged. The average negative interest rate that was charged was slightly below 0.7%. By issuing the fifth interim payment, the credit balance with ZKB was significantly reduced. This effect will be even more pronounced once the sixth interim payment has been carried out. This means that significantly less negative interest will accrue in 2018.

Pending allocation of proceeds from the sale/liquidation of AFS and SIF II:

There is a dispute between SAirLines and SAirGroup AG in debt restructuring liquidation ("SAirGroup") about who is entitled to the proceeds from the sale of the shareholding in Airline Financial Support Services (India) Private Ltd. ("AFS"; see Circular no. 2, section 3.2) and the proceeds from the liquidation of Swissair International Finance II Limited, Guernsey ("SIF II"). Currently negotiations are ongoing between SAirLines and SAirGroup on the allocation of these proceeds.

Claims against third parties: "Claims against third parties" refers to claims against the former Swissair Group companies at home and abroad that are undergoing insolvency proceedings. These claims have been valued conservatively based on the information currently available.

Shareholdings: By issuing SAirGroup's fifth and sixth interim payment, significant liquid funds have been received by SAirGroup Financière SA and S Air Services Invest AG, both of whom are undergoing liquidation. The value of these two shareholdings has been adjusted in line with the new situation in their liquidation status. Consequently, the value of the liquidation status item "shareholdings" of approx. CHF 1.7 million has increased to CHF 40 million.

### **3. DEBTS INCURRED IN THE COURSE OF THE LIQUIDATION PROCESS**

Accounts payable: The accounts payable reported as of 31 December 2017 relate to invoices for liquidation charges.

Provisions for the first five interim payments: SAirLines' liquidation status as of 31 December 2017 includes provisions totalling CHF 21,093,371 that were created for the first five interim payments due to payments that were not carried out due to a lack of payment instructions or for other reasons. These provisions secure the amounts of the five interim payments to date in their maximum amount that could not yet be paid out.

### **4. ESTIMATED DIVIDEND**

The proceedings regarding the schedule of claims at SAirLines have been concluded. The claims have been definitively resolved (Enclosure 2). The asset side of SAirLines' balance sheet has now been essentially settled. The allocation of proceeds from the realisation of assets is still open (see section IV.2.

above), as are liability claims. As regards the claims against group companies that are in insolvency proceedings at home and abroad, the focus is on waiting for the receipt of the insolvency dividends on the recognised claims. In addition, proceeds from the liquidation of shareholdings of SAirLines may also be expected (see section IV.2. above).

Based on the information currently available, a dividend totalling approximately 41.1% can be anticipated. Of this, 37.3% has already been paid out in the first five interim payments. After the sixth interim payment of 2.9% has been carried out, the creditors will have received a total of 40.2%. As a result, the remaining dividend to be expected is approx. 0.9%. In view of this low percentage, only the final dividend is likely to be paid out at the end of the proceedings. It is unlikely that another interim payment will be effected.

## **V. LIQUIDATION OF ASSETS**

The Liquidators continued to collect assets during the period under review, recovering an amount of CHF 11,864,251.

## **VI. PURSUIT OF LIABILITY CLAIMS**

### **1. ACQUISITIONS**

In its judgement of 26 January 2015, the Commercial Court of Zurich dismissed the liability action of SAirGroup against its management bodies in connection with the acquisition of Air Littoral. This judgement prompted other acquisitions like LTU, AOM and Air Liberté to be revisited with regard to liability claims. In the process, the liquidation bodies of SAirGroup concluded that this judgement of the Commercial Court of Zurich showed that the prospects for successfully pursuing liability claims related to acquisitions were very small. The Liquidators of SAirLines also share this assessment from the point of view of SAirLines.

In negotiations, the persons potentially liable showed a willingness to settle any liability claims relating to acquisitions by effecting payment of a minor amount. In collaboration with SAirGroup, it was possible to reach a settlement with 22 of the companies' former management bodies as outlined below:

- The former management bodies will jointly pay the amount of CHF 250,000 to SAirLines and SAirGroup, without acknowledging any legal obligation and without prejudice.

- SAirLines and SAirGroup will not pursue any further liability claims relating to acquisitions.
- This settlement will go into effect if approved by the creditors' committees of SAirLines and SAirGroup and if no creditor lodges a successful appeal against the settlement.

The amount of CHF 250,000 will be divided between SAirLines and SAirGroup as follows: SAirLines will receive CHF 25,000 and SAirGroup CHF 225,000. This division primarily takes into account that SAirGroup has assumed a substantial portion of the investigation costs of the liability claims against management bodies in relation to the acquisitions.

The creditors' committees of SAirLines and SAirGroup have agreed to the settlement and the division of the CHF 250,000 sum between SAirGroup and SAirLines. The creditors of SAirGroup were informed about the settlement by way of a circular in the autumn of 2017. No objection has been raised by the creditors against this settlement.

## **2. FURTHER LIABILITY CLAIMS**

With regard to further liability issues, SAirLines reserves the right to take legal actions against the liable parties.

## **VII. NEXT STEPS IN THE PROCEEDINGS**

In the debt restructuring liquidation of SAirLines, the primary objective is to conclude the liquidation of the shareholdings in SAirGroup Financière SA and S Air Services Invest AG (see section IV.2. above) and to collect the claims against the former Swissair Group companies (see section IV.2. above) to the extent possible. The outcome of the pending insolvency proceedings at home and abroad must be awaited. It is currently difficult to estimate how much longer these collection activities will take. In addition, the negotiations with SAirGroup concerning the division of the proceeds from the sale/liquidation of the foreign shareholdings (see section IV.2. above) are expected to be concluded. Finally, a decision will have to be reached on the steps to be taken concerning the pursuit of further liability claims.

Creditors will continue to receive information about important developments in the form of circulars, depending on how things proceed. A report on the pro-

gress of the liquidation process this year will be issued by spring 2019 at the latest.

Kind regards

SAirLines AG in debt restructuring liquidation

The Liquidators:

Karl Wüthrich

Prof. Dr. Roger Giroud

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

**Hotline SAirLines AG  
in debt restructuring liquidation**

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- Enclosures: 1. Liquidation status of SAirLines as of 31 December 2017  
2. Overview of the schedule of claims proceedings of SAirLines

## LIQUIDATION STATUS AS OF 31 December 2017

	31.12.2017	31.12.2016	Change
	CHF	CHF	CHF
<b>ASSETS</b>			
<b>Liquid funds</b>			
ZKB CHF	26'267'359	10'640'867	15'626'492
ZKB USD	859'376	1'888'188	-1'028'812
ZKB Money Market Investment	-	298'655'000	-298'655'000
ZKB Fixed Term Deposits	10'000'000	365'000'000	-355'000'000
<b>Total liquid funds</b>	<b>37'126'734</b>	<b>676'184'055</b>	<b>-639'057'321</b>
<b>Liquidation positions</b>			
Accounts receivable	2	63'356	-63'354
Open apportionment of proceeds from the sale resp. liquidation of AFS and SIF II	5'283'770	5'323'636	-39'866
Receivables from third parties	8'295'000	17'353'111	-9'058'111
Shareholdings, securities	40'000'000	1'700'004	38'299'996
Liability claims	p.m.	p.m.	p.m.
Avoidance claims	p.m.	p.m.	p.m.
<b>Total liquidation positions</b>	<b>53'578'772</b>	<b>24'440'107</b>	<b>29'138'665</b>
<b>TOTAL ASSETS</b>	<b>90'705'506</b>	<b>700'624'162</b>	<b>-609'918'656</b>
<b>LIABILITIES</b>			
<b>Debts of the estate</b>			
Accounts payable	2'658	5'793	-3'135
Provision for liquidation costs	5'000'000	6'232'500	-1'232'500
Provision, 1st interim payment	2'636'564	146'186'564	-143'550'000
Provision, 2nd interim payment	1'440'031	70'790'031	-69'350'000
Provision, 3rd interim payment	1'927'080	31'677'080	-29'750'000
Provision, 4th interim payment	1'922'769	31'672'769	-29'750'000
Provision, 5th interim payment	13'166'928		13'166'928
<b>Total debts of the estate</b>	<b>26'096'030</b>	<b>286'564'738</b>	<b>-260'468'708</b>
<b>TOTAL DISPOSABLE ASSETS</b>	<b>64'609'476</b>	<b>414'059'424</b>	<b>-349'449'948</b>

## Overview of the schedule of claims proceedings of SAirLines

Category	Registered	Schedule of claims				Dividend		
		Recognized	Appeal lodged	Decision suspended	Rejected	interim payments	Future Dividend est.	Total est.
	Amount in CHF	Amount in CHF	Amount in CHF	Amount in CHF	Amount in CHF			
Secured by right of lien	-	-	-	-	-	-	-	-
Preferential rights to the corporate assets of S Air Logistics AG	83'602'175.69	50'362'601.33	-	-	33'239'574.36	100%	-	100%
Preferential rights to the corporate assets of S Air Relations AG	242'520'007.10	74'292'146.45	-	-	168'227'860.65	100%	-	100%
Preferential rights to the corporate assets of S Air Services AG	44'790'677.88	34'439'788.42	-	-	10'350'889.46	100%	-	100%
Preferential rights to the corporate assets of Roscor AG	39'732'844.00	-	-	-	39'732'844.00	-	-	-
First class	91'709'000.29	-	-	-	91'709'000.29	-	-	-
Second Class	6'767.50	6'767.50	-	-	-	100%	-	100%
Third Class	65'373'494'764.64	1'702'670'454.74	-	-	63'670'824'309.90	37.3%	3.8%	41.1%
<b>Total</b>	<b>65'875'856'237.10</b>	<b>1'861'771'758.44</b>	-	-	<b>64'014'084'478.66</b>			