

**SAirGroup in
debt restructuring liquidation**

Circular No. 23

www.liquidator-swissair.ch

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in debt restructuring liquidation**

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**Unofficial Translation
of German Original**

To the creditors of SAirGroup AG in
debt restructuring liquidation

Küsnacht, April 2014 WuK/FiS

**SAirGroup AG in debt restructuring liquidation;
Circular no. 23**

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 OF 31 DECEMBER 2013

After having been acknowledged and approved by the Creditors' Committee, the 11th Liquidator's report on activities for 2013 was submitted to the debt restructuring judge at the District Court of Zürich on 17 March 2014. The report on activities will be available for inspection by creditors at the Liquidator's offices at Seestrasse 39, Goldbach Center, 8700 Küsnacht, until 30 April 2014. Appointments should be made in advance with Christian Rysler (phone +41 43 222 38 00).

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.

II. OVERVIEW OF THE LIQUIDATION PROCESS

1. Activities of the Liquidator

The activities of the Liquidator in 2013 concentrated on settling liabilities, including pursuing actions brought by creditors to contest the schedule of claims (see section VI.1 below), the sale of property in India (see section IV.2 below), the distribution of refunded insurance money from J&H Marsh & McLennan Ltd. (hereinafter referred to as "Marsh") between SAirGroup and Swissair (see section IV.3 below), the reimbursement of withholding tax from 2000 and 2001 (see section IV.4 below), the conclusion of an agreement on the disbandment of the former Swissair VAT group (see section IV.5 below), the sale of the stake in the Betriebsgesellschaft Kongresshaus Zürich AG (see section IV.6 below) and conducting legal proceedings relating to responsibility on the part of directors and officers (see section V.1. below), as well as effecting a third interim payment of 2.6% to creditors with recognized third-class claims (see circular no. 21, section II.).

2. Activities of the Creditors' Committee

The Creditors' Committee held three meetings in 2013. At its meetings, the 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.

III. ASSET STATUS OF SAIRGROUP AS OF 31 DECEMBER 2013

1. Introductory remark

Enclosed is a report on the liquidation status of SAirGroup as of 31 December 2013 (Enclosure 1). It contains a statement of assets of SAirGroup as of 31 December 2013 according to the information currently available.

2. Assets

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 of 31 December 2013, these deposits totalled CHF 8,000,900. The total decreased in 2013 following the cessation of the responsibility proceedings relating to the recapitalization of Sabena (see circular no. 22, section V.2.1).

Assets as yet unrealized: This item still consists primarily of claims against former Swissair group companies, shareholdings held by SAirGroup, the stake in the commercial property at Geneva Airport (the last property held within Switzerland), real estate abroad, insofar as it belongs 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 2013 relate to costs incurred during debt restructuring liquidation.

Provisions for interim payments: The liquidation status of SAirGroup as of 31 December 2013 includes the sum of CHF 535,040,150 as provision for the first interim payment. Of this amount, CHF 7,582,175 relates to payments in respect of which creditors have not yet given the Liquidator payment instructions, or to payments that could not be effected for other reasons. CHF 2,130,807 relates to interim payments for contingent claims for which the relevant condition has not yet been met. A further CHF 166,112,325 is for interim payments for claims for which an action to contest the schedule of claims is pending. The remainder of the provision – CHF 359,214,843 – is for claims that are still suspended at present.

A provision of CHF 171,930,380 for the second interim payment was included in the liquidation status of SAirGroup as of 31 December 2013. Of this amount, CHF 3,400,100 relates to payments in respect of which creditors have not yet given the Liquidator payment instructions, or to payments that could not be effected for other reasons. CHF 844,282

relates to interim payments for contingent claims for which the relevant condition has not yet been met. A further CHF 65,818,091 is for interim payments for claims for which an action to contest the schedule of claims is pending. The remainder of the provision – CHF 101,867,907 – relates to claims that are still suspended at present.

A provision of CHF 219,850,603 for the third interim payment was included in the liquidation status of SAirGroup as of 31 December 2013. Of this amount, CHF 11,194,067 relates to payments in respect of which creditors have not yet given the Liquidator payment instructions, or to payments that could not be effected for other reasons. CHF 1,045,301 relates to interim payments for contingent claims for which the relevant condition has not yet been met. A further CHF 81,489,065 is for interim payments for claims for which an action to contest the schedule of claims is pending. The remainder of the provision – CHF 126,122,170 – relates to claims that are still suspended at present.

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, reference is made to section VI.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. 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 18.7%, provided all of the pending actions to contest the schedule of claims are dismissed and only 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 11.6%. Of this, 10% has already been paid out by way of previous interim payments. The future dividend that may be expected, therefore, is between 1.6% and 8.7%.

IV. REALIZATION OF ASSETS

1. General

The Liquidator continued to collect accounts receivable both in Switzerland and abroad during 2013. As a result, an amount of CHF 74,565,111 was collected.

2. Sale of residential property in India

Swissair Swiss Air Transport Co. Ltd. was registered as a branch of the company known today as SAirGroup in India's company register from 5 April 1957. After the Swissair group was restructured in 1997, SAirGroup and its Indian branch, respectively, remained the only Swissair group company registered in India. Between 1973 and 2000 the Indian branch purchased four residential properties and one office property in Mumbai. These properties were used and maintained by Swissair. They figured as assets in its balance sheet.

There is a dispute between Swissair and SAirGroup as to who the beneficial owner of the properties is. Nevertheless, in order to sell the properties at market value for the benefit of the creditors, Swissair and SAirGroup agreed that SAirGroup should sell the properties for their joint account. Swissair and SAirGroup's creditors' committees have approved the sale. The proceeds from the sale are to be transferred to a joint Swissair/SAirGroup account in Switzerland. A decision on the apportionment of the proceeds will be taken at a later date.

The office property has not yet been sold for lack of satisfactory offers. However, the four residential properties were successfully sold in 2013. The total net proceeds after payment of the applicable taxes and deduction of costs was around CHF 8 million. This has since been transferred to Switzerland.

3. Distribution of the insurance money refunded by Marsh between SAirGroup and Swissair

As of 1 March 1998, the insurance department of SAirGroup was outsourced to SAirLink, a wholly owned subsidiary of Marsh in London. SAirLink negotiated with insurance brokers the insurance premiums for all companies of SAirGroup. All insurance premiums to be paid within the group were invoiced to SAirGroup by SAirLink. SAirGroup paid all insurance premiums for the group to Marsh. In turn, Marsh maintained a trust account for insurance premiums paid by SAirGroup. From this, Marsh paid the insurance premiums for the whole group to the different brokers and insurers.

Following the collapse of SAirGroup in October 2001, Marsh ceased SAirLink's activity as from spring 2003. Negotiations were subsequently carried out between Swissair, SAirGroup and Marsh to conclude and settle the business relations. In connection with this settlement, Marsh made three payments amounting to a total of CHF 3,475,068 to a Swissair/SAirGroup blocked account. SAirGroup and Swissair agreed in spring 2013, with the approval of the creditors' committees, on the apportionment of these proceeds. SAirGroup received the amount of CHF 2,709,087 from the blocked account and Swissair the amount of CHF 765,981.

4. Reimbursement of withholding tax from 2000 and 2001

In a letter dated 29 May 2012, SAirGroup asked the Swiss Federal Tax Administration (hereinafter referred to as "ESTV") for payment of the withholding tax credits for 2000 and 2001. After submitting additional documents required by the ESTV, the ESTV recognized a reimbursement claim from SAirGroup amounting to CHF 12,331,164. However, the ESTV invoked a set-off against its own receivables from SAirGroup totalling CHF 6,207,956. SAirGroup did not agree to offset part of these counterclaims. After negotiations, the parties agreed that only part of the counterclaims could be offset and the remaining balance of

CHF 9,725,485 should be paid to SAirGroup. This remaining balance was transferred to SAirGroup on 23 August 2013.

5. Disbandment of the Swissair VAT group

Since circular no. 22 was issued, the agreement on the apportionment and payment of pre-tax credits of the former Swissair VAT group was approved by all creditors' committees involved (see circular no. 20, section III., and circular no. 22, section VI.) Based on the overall agreement, SAirGroup can expect an inflow from the reimbursement of pre-tax credits of between around CHF 40 and 45 million, plus interest. The payment of pre-tax credits by the ESTV occurred in March 2014.

6. Sale of the stake in the Betriebsgesellschaft Kongresshaus Zürich AG

SAirGroup held 280 shares in the Betriebsgesellschaft Kongresshaus Zürich AG (hereinafter referred to as "Kongresshaus Zürich AG"). Kongresshaus Zürich AG is not a listed company. Its shares are, however, traded off the exchange. The Liquidator of SAirGroup has sought a buyer for the block of shares for a long time. In the last two years, however, important decisions were pending with regard to the location and maintenance of the Kongresshaus Zürich. It was necessary to wait for these decisions to be made in order to increase the likelihood of finding a buyer. On 26 June 2013, the City Council of Zürich decided to renovate the Kongresshaus and lodged a request for the municipal council to increase the project loan to the Kongresshaus-Stiftung Zürich. Thereupon, in summer 2013, SAirGroup made enquiries with several possible interested buyers for the block of shares. The City of Zürich submitted the best offer of CHF 1,700 per share or CHF 476,000 for the whole block of shares. SAirGroup's Creditors' Committee approved the sale. The transaction was completed at the beginning of March 2014.

V. PURSUIT OF CONTESTED CLAIMS

1. Pursuit of responsibility claims

1.1 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 Zürich (see circular no. 20, section II.2.3). The defendants submitted their defence on 5 November 2012. On 13 June 2013 settlement negotiations took place at the Commercial Court, which were unsuccessful. SAirGroup was then given a deadline of 28 February 2014 to file its replication. SAirGroup filed its replication within the deadline. The defendants now have time to submit their rejoinder within a specified deadline.

1.2 Acquisition of Air Littoral

On 6 July 2012, SAirGroup lodged a responsibility claim before the Commercial Court of the Canton of Zürich relating to the "acquisition of Air Littoral" (see circular no. 20, section II.2.4). The defendants submitted their defence on 15 January 2013. On 12 September 2013 settlement negotiations took place at the Commercial Court, which were unsuccessful. SAirGroup was then given a deadline of 28 February 2014 to file its replication. SAirGroup filed its replication within the deadline. The defendants now have time to submit their rejoinder within a specified deadline.

1.3 Further areas of responsibility

With regard to further areas of responsibility (see circular no. 18, section VI.2.3) SAirGroup reserves the right to submit claims against those responsible.

2. Claim against "Homburger Rechtsanwälte"

The claims proceedings brought by SAirGroup against Homburger AG and Riesbach Services GmbH are still pending before the Commercial Court of

the canton of Zürich (see circular no. 18, section VI.2.4). SAirGroup submitted its response to new elements in the rejoinder on 18 November 2013. The defendants were then given a deadline of 28 January 2014 to submit their opinion on SAirGroup's submission in turn.

VI. SETTLEMENT OF LIABILITIES

1. Schedule of claims proceedings

First-class claims: Currently, the decisions on CHF 101,895,080 in registered first-class claims remain suspended. These are essentially recourse claims brought by former management employees in connection with responsibility proceedings initiated by Flightlease AG.

Third-class claims: Two actions regarding third-class claims totalling CHF 3,134,194,808.04, were still pending at the end of 2013.

In the action contesting the schedule of claims filed by the Belgian government and companies it controls, SAirGroup submitted to the High Court of the Canton of Zürich a response to the appeal on 24 May 2012. In a ruling dated 28 May 2013, the High Court rejected the claim. The Belgian government and companies it controls filed a civil appeal against the ruling of the High Court before the Swiss Federal Supreme Court on 1 July 2013. To date, no deadline has been set for SAirGroup to respond to the appeal.

In the action contesting the schedule of claims filed by Sabena SA in liquidation (hereinafter referred to as "Sabena"; see circular no. 22, section VII.1.), Sabena filed an appeal before the High Court of the Canton of Zürich on 5 June 2013 against the ruling by the sole judge at the District Court of Zürich delivered on 30 April 2013. In a decision dated 25 June 2013, the High Court of the Canton of Zürich demanded that Sabena pay an advance payment on court fees of CHF 800,000. Sabena filed a civil appeal against this decision before the Swiss Federal Supreme Court on 15 August 2013. SAirGroup submitted an opinion on neither the application for suspensive effect nor the appeal itself. On 10 September 2013, the appeal was accorded suspensive effect. With its ruling delivered

on 12 February 2014, the Swiss Federal Supreme Court annulled the contested decision of the High Court of the Canton of Zürich regarding advance payment on court fees and referred the matter back to the High Court of the Canton of Zürich for a new decision.

Furthermore, based on the agreement made on the reimbursement of withholding tax from 2000 and 2001 (see section IV.4 above), various receivables of ESTV could be removed from SAirGroup's schedule of claims (a total of CHF 2,926,706). ESTV remains included solely with a receivable amounting to CHF 3,281,250.

2. Civil actions in Belgium

In July 2011, SAirGroup and SAirLines (as well as other parties involved) filed an appeal with the Belgian Court of Cassation against the ruling of the Brussels Court of Appeals dated 27 January 2011 (see circular no. 19, section VI.1.). A ruling on this appeal is still pending.

3. Exequatur proceedings in Switzerland

In the exequatur proceedings (see circular no. 19, section VI.1, and circular no. 22, VII.3.), on 12 December 2012, SAirGroup and SAirLines filed a civil appeal before the Swiss Federal Supreme Court against the exequatur ruling of the High Court of the Canton of Zürich. A ruling on this appeal is still pending.

VII. NEXT STEPS PLANNED IN THE PROCESS

The next phase of the proceedings will involve resolving the schedule of claims and liquidating the remaining assets, particularly the last remaining properties in Switzerland and abroad.

Furthermore, it is important to reach an agreement with other former group companies on the settlement of reciprocal claims.

The liquidation bodies will continue to pursue responsibility claims. It is not possible at present to estimate how long it will take for these issues to be resolved.

As the proceedings progress, creditors will continue to receive circulars containing information on important developments. A report on this year's progress on the liquidation process will be issued no later than spring 2015.

Sincerely,

SAirGroup AG in debt restructuring liquidation

The Liquidator

Karl Wüthrich

- Enclosures:
1. Liquidation status of SAirGroup as at 31 December 2013
 2. Overview of the schedule of claims proceedings of SAirGroup

LIQUIDATION STATUS as at 31 December 2013

	31.12.2013	31.12.2012	Change
	CHF	CHF	CHF
ASSETS			
Liquid funds			
UBS AG CHF	647'541	258'739	388'802
CREDIT SUISSE CHF	0	25'896	-25'896
ZKB CHF	1'020'304'748	1'200'792'251	-180'487'503
ZKB USD	7'074	7'233	-159
ZKB EUR	4'484	65'475	-60'991
Total liquid funds	1'020'963'847	1'201'149'594	-180'185'747
Liquidation positions:			
Accounts receivable	383'802	394'930	-11'128
Prepaid court expenses	8'000'900	22'620'682	-14'619'782
Open apportionment of proceeds on sale of Nuance, Gate Gourmet, Restorama/RailGourmet and SR Technics	5'000'000	61'000'000	-56'000'000
Receivables from third parties	119'250'338	86'112'208	33'138'130
Real estate	73'100'001	73'100'001	0
IT-Equipment	2	2	0
Shareholdings, securities	476'001	364'001	112'000
Responsibility claims	p.m.	p.m.	
Total liquidation positions	206'211'044	243'591'824	-37'380'780
TOTAL ASSETS	1'227'174'891	1'444'741'418	-217'566'527
LIABILITIES			
Debts of the estate	490'776	959'834	-469'058
Accounts payable	535'040'150	541'311'126	-6'270'975
Provision, 1st interim payment	171'930'380	172'531'604	-601'225
Provision, 2nd interim payment	219'850'603	0	219'850'603
Provisions for liquidation costs	10'000'000	10'000'000	0
Total debts of the estate	937'311'910	724'802'564	212'509'346
TOTAL DISPOSABLE ASSETS	289'862'981	719'938'854	-430'075'873

Overview of the schedule of claims proceedings of SAirGroup

Category	Registered Amount in CHF	Schedule of claims						Dividend					
		Recognized Amount in CHF	Admitted subject to conditions Amount in CHF	Schedule of claims appeal pending Amount in CHF	Suspended / New registration Amount in CHF	Rejected Amount in CHF	Interim payments	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	77'488'777.14	-	-	101'895'080.48	287'731'342.10	100%	-	-	100%	100%	100%	100%
Second class	828'861.67	503'976.35	-	-	224'571.12	100'314.20	100%	-	-	100%	100%	100%	100%
Third class ^{1) 2) 3)}	48'429'248'706.69	9'551'504'071.59	40'203'912.20	3'134'194'808.04	4'850'852'681.14	30'892'697'145.92	10.0%	1.6%	8.7%	11.6%	11.6%	18.7%	18.7%
Total creditors' claims	48'897'192'768.08	9'629'496'825.08	40'203'912.20	3'134'194'808.04	4'952'972'332.74	31'180'528'802.22							

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

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Küsnacht, 8. April 2014 WuK/FiS

**NACHTRAG ZU ZIFF. V.2. DES ZIRKULARS NR. 23 DER SAIRGROUP
IN NACHLASSLIQUIDATION**

Nach Drucklegung des Zirkulars Nr. 23 der SAirGroup in Nachlassliquidation wies das Handelsgericht des Kantons Zürich die Klage der SAirGroup gegen die Homburger AG und die Riesbach Services GmbH mit Urteil vom 27. März 2014 ab. Die Beklagten hätten nach Ansicht des Handelsgerichts bei der Beratung der SAirGroup keine Sorgfaltspflichten verletzt. Die Liquidationsorgane der SAirGroup prüfen derzeit, ob gegen das Urteil Beschwerde in Zivilsachen an das Bundesgericht erhoben werden soll.

**SUPPLEMENT TO SECTION V.2. OF CIRCULAR NO. 23 OF
SAIRGROUP IN DEBT RESTRUCTURING LIQUIDATION**

After the going to press of the circular no. 23 of SAirGroup, the Commercial Court of the canton of Zurich has dismissed the claim brought by SAirGroup against Homburger AG and Riesbach Services GmbH by decision of 27 March 2014. According to the Commercial Court the defendants did not violate their duty of care when counselling SAirGroup. The liquidation bodies of SAirGroup are currently assessing whether or not to file a civil appeal against this decision with the Swiss Federal Supreme Court.

**SUPPLÉMENT AU CH. V.2. DE LA CIRCULAIRE N° 23 DE SAIRGROUP
EN LIQUIDATION CONCORDATAIRE**

Après la mise sous presse de la Circulaire n° 23 de SAirGroup, le Tribunal de commerce du canton de Zurich a rejeté l'action de SAirGroup contre Homburger AG et Riesbach Services GmbH par jugement du 27 mars 2014. Selon le Tribunal de commerce, les défendeurs n'ont pas violé leurs obligations de diligence en conseillant SAirGroup. Les organes de liquidation de SAirGroup examinent actuellement si un recours en matière civile doit être formé auprès du Tribunal fédéral contre ce jugement.