

**Unofficial Translation  
of German Original**

Wenger Plattner  
Seestrasse 39 | P.O. Box  
CH-8700 Küsnacht-Zurich

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

To the creditors of SAirLines AG  
in debt restructuring liquidation

**Karl Wüthrich**, lic. iur.  
Rechtsanwalt | Attorney at Law  
swissair@wenger-plattner.ch  
Entered in the register of attorneys

Küsnacht, May 2020

X7162299.docx/WuK

## **SAirLines AG in debt restructuring liquidation; Circular no. 26**

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. REPORT ON ACTIVITIES AS AT 31 DECEMBER 2019**

Having been acknowledged and approved by the Creditors' Committee, the seventeenth Liquidator's report on activities in 2019 has been submitted to the debt restructuring judge at the district court of Zurich on 06 March 2020. The report 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 27 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 LIQUIDATION PROCESS

### 1. ACTIVITIES OF THE LIQUIDATORS

In the past year, Liquidators' activities focused on the collection of claims against former Swissair Group companies at home and abroad (see section IV.2 below).

### 2. ACTIVITIES OF THE CREDITORS' COMMITTEE

The Creditors' Committee held no meetings in 2019. It passed one resolution by circular on a proposal submitted by the Liquidators.

## III. ASSET STATUS OF SAIRLINES AS AT 31 DECEMBER 2019

### 1. INTRODUCTORY REMARKS

Enclosed is a report on the liquidation status of SAirLines as at 31 December 2019 (Annex 1). This contains a statement of the assets and liabilities of SAirLines as at 31 December 2019 according to 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 SAirLines. In 2019, negative interest of CHF 173,000 was charged. The average negative interest that was charged was slightly less than 0.6 %.

Open distribution of the revenues generated from the sale or liquidation of AFS and SIF II: SAirLines and SAirGroup AG in debt restructuring liquidation ("SAir-Group") still dispute which of them is entitled to the revenues generated from the sale of the investment in Airline Financial Support Services (India) Private Ltd. ("AFS"; cf. section 3.2 of Circular no. 2) and the revenues generated from the liquidation of Swissair International Finance II Limited, Guernsey ("SIF II"). The negotiations between SAirLines and SAirGroup regarding the distribution of these revenues could still not be completed in 2019.

Claims against third parties: The "claims against third parties" are claims against former Swissair Group companies at home and abroad that are subject to insolvency or liquidation proceedings (see section IV.2 below). These claims

have been assessed conservatively in accordance with the information currently available.

Investments: The status of the “Investments” item has been adapted to the information currently available as of 31 December 2019.

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

Accounts payable: The accounts payable reported as at 31 December 2019 comprise invoices for liquidation charges.

Provisions for the first six interim payments: Provisions totalling CHF 22,272,474 have been set aside in the liquidation status of SAirLines as at 31 December 2019 for the six interim payments already made. This is to cover payments not made due to a lack of payment instructions or for other reasons. In February 2020, a major item was paid out amounting to around CHF 6.7 million. These provisions secure any amounts within the maximum that could not yet be paid out.

### 4. ESTIMATED DIVIDEND

The schedule of claims proceedings for SAirLines has been settled. The claims have been finalised definitively (Annex 2). The asset side of SAirLines’s balance sheet has now largely been settled. The distribution of the sales proceeds between SAirLines and SAirGroup AG (see section III.2 above) are still pending, as are the responsibility claims. With regard to the claims on Group companies that are subject to insolvency proceedings at home and abroad, receipt of the insolvency dividends on the recognised claims must be awaited (see section IV.2 below). In addition, revenues may also be generated by the liquidation of investments by SAirLines (see section III.2 above).

Based on current knowledge, a liquidating dividend totalling approximately 40.9% can still be expected. Of this, 40.2% has already been paid out in the first six interim payments. As a result, the expected remaining dividend is slightly less than 1%.

## IV. LIQUIDATION OF ASSETS

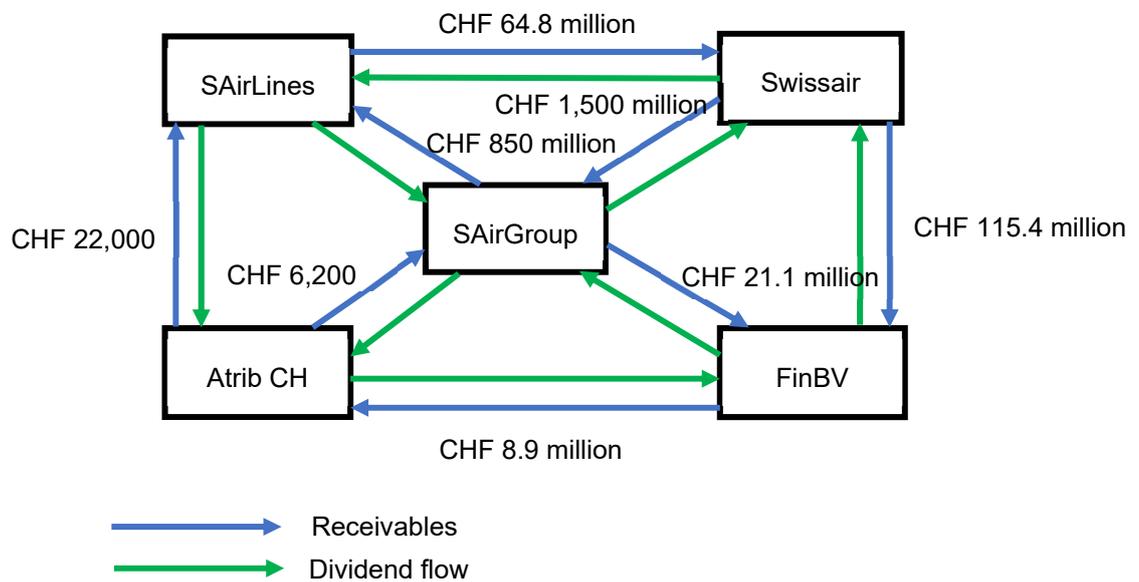
### 1. GENERAL

In 2019, the Liquidator was able to realise assets amounting to CHF 1,765,420.

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

A part of the assets belonging to SAirLines 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 situation:



Each instalment 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 SAirLines proceedings.

In the liquidation proceedings of the SAirGroup, SAirLines AG, Swissair Schweizerische Luftverkehrs-AG (hereinafter referred to as “Swissair”) and Flightlease AG (hereinafter referred to as “Flightlease”), various assets have not yet been liquidated and the liquidation proceeds are not yet known. The division of the proceeds of the realisation of properties and participations abroad between the SAirGroup and Swissair and between SAirGroup and SAirLines has yet to be finalised. There are different opinions regarding how the revenues should be divided. The parties are currently negotiating about the liquidation assets. It is not yet clear when an agreement on settling these matters can be

reached. Furthermore, the assertion of responsibility claims against former directors and officers of the SAirGroup, SAirLines, Swissair and Flightlease has not yet been completed. This means that the result from the realisation of responsibility claims is not yet known. 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 circular flows of dividends. Based on an average scenario for the liquidation proceeds of SAirGroup, SAirLines, Swissair and Flightlease, they have agreed to carry out sales of receivables with which the circular flows can be broken. As a result of this, SAirLines is purchasing the following receivables:

<b>Seller</b>	<b>Debtor</b>	<b>Nominal claim</b>	<b>Purchase price</b>
Atrib Switzerland	SAirLines	CHF 9,512.01	CHF 100
Balair	SAirLines	CHF 2,200,000.00	CHF 22,660

The agreement to break the circular flows of dividends has been signed by the involved parties. The approval of the relevant bankruptcy or liquidation bodies is still outstanding. The Creditors' Committee of SAirLines approved this agreement. If an agreement can be reached, it would be then possible to conclude the liquidation proceedings of most former companies of the Swissair Group. In this context, it will then be possible to collect a large part of the SAirLines' claims against third parties. The only thing left outstanding would then be collecting the claims against Swissair.

### **3. PURSUIT OF RESPONSIBILITY CLAIMS**

With regard to further responsibility issues, SAirLines 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. The Liquidators will make a proposal to the Creditors' Committee in the next few weeks on how to proceed with this issue, taking the decision of the Federal Supreme Court into account.

## V. NEXT STEPS IN THE PROCESS

The debt restructuring liquidation of SAirLines mainly still centres on concluding the liquidation of the investments in SAirGroup Financière SA and S Air Services Invest AG as well as attempting to collect claims against former Swissair Group companies (see section III.2 above) as far as possible. In this connection, the conclusion of the pending insolvency proceedings at home and abroad must be awaited. If the agreement regarding the dissolution of circular flows of dividends (see section IV.2. above) is reached, there is a good chance that this collection can be completed this year. Furthermore, the negotiations with SAir-Group about the distribution of revenues generated by the sale or liquidation of foreign investments (see section III.2 above) are to be concluded. Finally, a decision will be taken on the steps that should be taken next with regard to responsibility claims (see section IV.3. above).

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

Kind regards

SAirLines AG in debt restructuring liquidation  
The Liquidators:

Karl Wüthrich

Roger Giroud

- Annexes: 1. Liquidation balance sheet of SAirLines as at 31 December 2019  
2. Overview of the schedule of claims proceedings of SAirLines

## LIQUIDATION STATUS AS OF 31 December 2019

	31.12.2019	31.12.2018	Change
	CHF	CHF	CHF
<b>ASSETS</b>			
<b>Liquid funds</b>			
ZKB CHF	29'498'255	8'592'866	20'905'390
ZKB Fixed Term Deposits	-	25'000'000	-25'000'000
<b>Total liquid funds</b>	<b>29'498'255</b>	<b>33'592'866</b>	<b>-4'094'610</b>
<b>Liquidation positions</b>			
Accounts receivable	-	18'248	-18'248
Open apportionment of proceeds from the sale resp. liquidation of AFS and SIF II	5'206'179	5'244'201	-38'022
Receivables from third parties	1'045'000	2'418'000	-1'373'000
Shareholdings, securities	4'200'000	3'400'000	800'000
Liability claims	p.m.	p.m.	p.m.
<b>Total liquidation positions</b>	<b>10'451'179</b>	<b>11'080'449</b>	<b>-629'270</b>
<b>TOTAL ASSETS</b>	<b>39'949'435</b>	<b>44'673'315</b>	<b>-4'723'880</b>
<b>LIABILITIES</b>			
<b>Debts of the estate</b>			
Accounts payable	3'578	5'599'374	-5'595'797
Provision for liquidation costs	5'000'000	5'000'000	-
Provision, 1st interim payment	2'636'564	2'636'564	-
Provision, 2nd interim payment	1'439'630	1'439'630	-
Provision, 3rd interim payment	1'922'494	1'922'494	-
Provision, 4th interim payment	1'922'494	1'922'494	-
Provision, 5th interim payment	12'738'163	12'738'163	-
Provision, 6th interim payment	1'613'130	1'613'130	-
<b>Total debts of the estate</b>	<b>27'276'053</b>	<b>31'258'720</b>	<b>-5'595'797</b>
<b>TOTAL DISPOSABLE ASSETS</b>	<b>12'673'382</b>	<b>13'414'595</b>	<b>871'917</b>

**Overview of the schedule of claims proceedings of SAirLines**

Category	Registered Amount in CHF	Schedule of claims					Dividend		
		Recognized Amount in CHF	Appeal lodged Amount in CHF	Decision suspended Amount in CHF	Rejected Amount in CHF	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	40.2%	0.7%	40.9%	
<b>Total</b>	<b>65'875'856'237.10</b>	<b>1'861'771'758.44</b>	<b>-</b>	<b>-</b>	<b>64'014'084'478.66</b>				