

SAirGroup AG
in debt restructuring liquidation

Circular No. 28

www.liquidator-swissair.ch

**Hotline SAirGroup AG
in debt restructuring liquidation**

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To the creditors of SAirGroup AG
in debt restructuring liquidation

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**SAirGroup AG in debt restructuring liquidation;
Circular no. 28**

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. FIFTH 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 fifth interim payment of 6.5 % to the 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 from July 2017 at the earliest.

II. REPORT ON ACTIVITIES AS AT 31 DECEMBER 2016

After having been acknowledged and approved by the Creditors' Committee, the 14th Liquidator's report on activities for 2016 was submitted to the debt restructuring judge at the District Court of Zurich on 28 February 2017. The report on activities is available for inspection by creditors at the offices of the Liquidator at Seestrasse 39, Goldbach Center, 8700 Küsnacht, until 6 June 2017. If you wish to inspect the report, please call the hotline on +41 (0)43 222 38 50.

The following pages summarise the report on activities insofar as the creditors have not already been provided information by way of Circular no. 27 of December 2016.

III. OVERVIEW OF THE LIQUIDATION PROCESS

1. ACTIVITIES OF THE LIQUIDATOR

The activities of the Liquidator in 2016 concentrated on settling liabilities, including pursuing actions brought by creditors to contest the schedule of claims (see section VII.1 below), selling the shares in the Swissair Centre in Geneva (see Circular 27, section I.1), selling the claims against the Volare companies (see Circular 27, section I.2), conducting legal proceedings against Gate Gourmet Switzerland GmbH relating to the stake in the Swissair VAT group (see section V.2 below) and settling the reciprocal claims against companies within the group (see Circular no. 27, section II).

2. ACTIVITIES OF THE CREDITORS' COMMITTEE

The Creditors' Committee held two meetings in 2016. On the occasion of its meetings, the Committee discussed the proposals submitted by the Liquidator and passed resolutions accordingly. It also passed resolutions by circular motion on two proposals submitted by the Liquidator.

Unfortunately, Jörg Zimmermann passed away unexpectedly from heart failure on 12 January 2017. The members of the Creditors' Committee and myself had the deepest admiration for Jörg Zimmermann. He brought his knowledge and his views calmly and competently into the Creditors' Committee. We will keep him in our warmest memories.

IV. ASSET STATUS OF SAIRGROUP AS AT 31 DECEMBER 2016

1. INTRODUCTORY REMARKS

Attached to this Circular is a report on the liquidation status of SAirGroup as at 31 December 2016 (Enclosure 1). It contains a statement of assets of SAirGroup as at 31 December 2016 and taking into account the changes that have occurred since then 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. Negative interest of CHF 3,948,890 was charged in 2016. The average negative interest that was charged was slightly under 0.7%.

Claims against third parties: The position "Claims against third parties" has been reassessed after the settlement of claims within the group (see Circular no. 27, section II). Essentially, the value of the claims against SAirLines AG in debt restructuring liquidation ("SAirLines") was reassessed based on the recognised claim amount and the projected liquidating dividend of SAirLines. This reassessment has made a significant contribution to the increase in "claims against third parties" of CHF 412,093,802 compared with the liquidation status as at 31 December 2015.

3. DEBTS INCURRED IN THE COURSE OF THE LIQUIDATION PROCESS

Accounts payable: The accounts payable reported as at 31 December 2016 relate to costs incurred during debt restructuring liquidation.

Provisions for interim payments: SAirGroup's liquidation status as at 31 December 2016 includes the following provisions for the first four interim payments:

Nature of provision	1st interim payment in CHF	2nd interim payment in CHF	3rd interim payment in CHF	4th interim payment in CHF
No payment instructions or payments not carried out for other reasons	91,292,606	36,319,119	46,081,318	38,721,917
Contingent claims where conditions not yet met	917,546	363,556	450,117	346,244
Claims in pending schedule of claims proceedings	125,015,528	49,534,455	61,328,372	47,175,671
Suspended claims	13,769,824	4,350,110	5,385,851	4,142,962
Total provisions	230,995,504	90,567,240	113,245,658	90,386,794

These provisions ensure that the maximum amounts for the four 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 VII.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, recognised, 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 asset side of SAirGroup's balance sheet has now essentially been settled. The distribution of the sales proceeds for the properties abroad between Swissair and SAirGroup 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 the receipt of the insolvency dividends on the recognised claims.

Based on current knowledge, a dividend totalling between 18.8 % and 22.9 % can be anticipated. Of this, 12 % has already been paid out in the first four interim payments. The dividend still to be expected in future will amount correspondingly to between 6.8 % and 10.9 %.

V. 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 8,389,788 was collected.

2. DISSOLUTION OF THE VAT GROUP SWISSAIR; CLAIM BY GATE GOURMET SWITZERLAND GMBH

The VAT Group Swissair was dissolved in 2014 (see Circular no. 24 section IV.2.). An agreement was reached in all cases except for Gate Gourmet Switzerland GmbH (hereinafter "Gate Gourmet"). As a result, the amount in question of CHF 6,343,656.55 was deposited in a joint account in favour of Gate Gourmet and SAirGroup. On 25 July 2014, at the Commercial Court of the Canton of Zurich, Gate Gourmet brought an action against SAirGroup for the surrender of the amount deposited in the joint account.

In a ruling dated 26 April 2016, the Commercial Court rejected the claim from Gate Gourmet. In the meantime, this judgement has become legally binding. The amount available in the joint account was paid out to SAirGroup. Furthermore, SAirGroup received compensation from Gate Gourmet for legal fees amounting to CHF 170,000. The VAT Group Swissair chapter is herewith concluded.

VI. PURSUIT OF RESPONSIBILITY CLAIMS

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

VII. SETTLEMENT OF LIABILITIES

1. SCHEDULE OF CLAIMS PROCEEDINGS

Over the course of 2016, the schedule of claims was mainly settled in respect of claims previously suspended as a result of the settlement of claims within the group (see Circular no. 27, section II.). In regard to the actions to contest the schedule of claims, the situation was as follows at the end of 2016:

First-class and second-class claims: No actions to contest the schedule of first-class or second-class claims were still pending in 2016.

Third-class claims: One action regarding third-class claims totalling CHF 2,358,783,548.45 was still pending at the end of 2016.

Sabena SA in liquidation (hereinafter "Sabena") appealed against the ruling of the single judge at the District Court of Zurich of 19 January 2016 (see Circular no. 26, section VIII.1.) with the High Court of the Canton of Zurich. Exchange of pleadings has now been completed. The High Court has not yet pronounced a judgement.

2. CIVIL ACTIONS IN BELGIUM

Sabena's liquidator has still not yet further substantiated the claimed damages before the Court of Appeal in Brussels (see Circular no. 24, section VI.2). If the Higher 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.

VIII. NEXT STEPS IN THE PROCESS

In the coming months, the focus of the matter will be to agree with Swissair on the allocation of the proceeds generated by the sale of properties abroad. The basic principles have already been drawn up. Furthermore, the liquidation bodies will examine and decide on the steps that should be taken next with regard to responsibility claims.

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 2018 at the latest.

Kind regards

SAirGroup AG in debt restructuring liquidation
The Liquidator:

Karl Wüthrich

- Appendices: 1. Liquidation status of SAirGroup as at 31 December 2016
2. Overview of the schedule of claims proceedings of SAirGroup

LIQUIDATION STATUS as at 31 December 2016

	31.12.2016 CHF	31.12.2015 CHF	Change CHF
ASSETS			
Liquid funds			
UBS AG CHF	975'698	1'278'262	-302'564
ZKB CHF	68'118'536	429'632'611	-361'514'075
ZKB USD	8'730	23'911	-15'181
ZKB EUR	5'707'377	1'289'024	4'418'353
ZKB Fixed term deposit	900'000'000	650'000'000	250'000'000
Total liquid funds	974'810'341	1'082'223'808	-107'413'467
Liquidation positions:			
Accounts receivable	1'474	461'082	-459'608
Prepaid court expenses	0	979'000	-979'000
Open apportionment of proceeds on sale of Restorama/RailGourmet	0	0	0
Receivables from third parties	490'551'232	78'581'177	412'093'802
Real estate	1	73'100'001	-73'100'000
IT-Equipment	2	2	0
Shareholdings, securities	1	1	0
Responsibility claims	p.m.	p.m.	
Total liquidation positions	490'552'710	153'121'263	337'555'194
TOTAL ASSETS	1'465'363'051	1'235'345'071	230'141'727
LIABILITIES			
Debts of the estate			
Accounts payable	1'208'730	507'013	701'717
Provision, 1st interim payment	230'995'504	386'480'760	-155'485'256
Provision, 2nd interim payment	90'567'240	152'089'705	-61'522'465
Provision, 3rd interim payment	113'245'658	189'491'687	-76'246'029
Provision, 4th interim payment	90'386'794	0	90'386'794
Provisions for liquidation costs	10'000'000	10'000'000	0
Total debts of the estate	536'403'924	738'569'164	-202'165'241
TOTAL DISPOSABLE ASSETS	928'959'127	496'775'907	432'306'967

Overview of the schedule of claims proceedings of SAirGroup

Category	Registered		Schedule of claims					Dividend			
	Amount in CHF		Recognized	Admitted subject to conditions	Schedule of claims appeal pending	Suspended / New registration	Rejected	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	368'483'558.54	77'598'328.29	-	-	2'790'738.73	288'094'491.52	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	11'158'609'977.29	17'312'189.34	2'358'783'548.45	207'148'102.75	34'624'361'951.26	12.0%	-	-	18.8%	22.9%
Total creditors' claims	48'735'528'189.30	11'236'914'183.93	17'312'189.34	2'358'783'548.45	209'939'077.03	34'912'579'190.55		6.8%	10.9%	18.8%	22.9%

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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