

Swissair Swiss Air Transport Company Ltd in debt restructuring liquidation

Circular No. 23

www.liquidator-swissair.ch

**Hotline Swissair Swiss Air Transport Company Ltd
in debt restructuring liquidation**

Deutsch: +41-43-222-38-30

Français: +41-43-222-38-40

English: +41-43-222-38-50

To the creditors of
Swissair Swiss Air Transport Company Ltd.
in debt restructuring liquidation

Küschnacht, December 2016

X5408145.doc/WuK

Swissair Swiss Air Transport Company Ltd. in debt restructuring liquidation; Circular no. 23

Dear Sir or Madam

This Circular provides information on the current status of the debt restructuring liquidation proceedings of Swissair Swiss Air Transport Company Ltd. ("Swissair"), and on how these proceedings are scheduled to progress over the coming months.

I. SETTLEMENT OF RECIPROCAL CLAIMS WITHIN THE GROUP

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

In the debt restructuring proceedings against SAirGroup AG in debt restructuring liquidation ("SAirGroup"), Swissair registered claims in various currencies equivalent to a total of around CHF 4 billion. The main reasons given by Swissair for these claims were loans, damages in connection with lease agreements, challengeable acts, responsibility of SAirGroup as a de facto corporate body of Swissair and compensation for services within the group.

SAirGroup in turn registered claims in various currencies equivalent to a total of around CHF 160 million in the debt restructuring proceedings against Swissair.

The main reasons for these claims given by SAirGroup were compensation for services within the group and challengeable acts.

The Deputy Liquidator of Swissair on the one hand and the Liquidator of SAirGroup 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 could not be predicted. For this reason an amicable solution that was acceptable for both parties was sought. The negotiations ended successfully in September 2016 with the conclusion of a settlement with the following key points:

- Swissair reduces its registered claims against SAirGroup to CHF 1,500 million. SAirGroup recognises these claims in the schedule of claims in the third class.
- The claim amounting to CHF 195,593,132.86 registered by Swissair in connection with the allegation of participation in the group cash pool is excluded from this. This claim remains suspended. The liquidation bodies of SAirGroup will decide as to whether to recognise or reject it after the responsibility proceedings against various defendants currently pending at the Commercial Court of the Canton of Zurich (reference no.: HG130073) are legally concluded.
- SAirGroup fully withdraws its registered claims against Swissair.
- The interim payments paid by SAirGroup to its creditors to date totalling 12% will be paid out to Swissair on the recognised claim of CHF 1,500 million after the settlement comes into force and after it has been announced to the creditors of SAirGroup and Swissair. Swissair will participate in further interim payments and the final dividend in accordance with the recognised claim amount.
- Once this settlement is fulfilled, the parties declare all claims to have been settled. The claim in connection with the allegation of participation in the group cash pool, 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.
- SAirGroup acknowledges that this settlement is effective only vis-à-vis it and results in no exemption or limitation in respect of the liability of any joint

and severally liable parties and/or parties entitled to recourse under responsibility provisions in corporate law.

- The settlement comes into force if it is approved by the Creditors' Committees of SAirGroup and Swissair.

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

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

2. SETTLEMENT WITH SAIRLINES AG IN DEBT RESTRUCTURING LIQUIDATION REGARDING RECIPROCAL CLAIMS

In the debt restructuring proceedings against SAirLines AG in debt restructuring liquidation ("SAirLines"), Swissair 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).

SAirLines in turn registered a loan claim of around CHF 108 million in the debt restructuring proceedings against Swissair.

The Deputy Liquidator of Swissair on the one hand and the Liquidators of SAirLines 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 Swissair and SAirLines approved the settlement at their meetings in November 2016.

As a result of this settlement, the reciprocal claims between Swissair and SAirLines 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.

II. DIVIDEND

The asset side of Swissair's balance sheet has now essentially been settled. The distribution of the sales proceeds for the properties abroad between SAirGroup and Swissair 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 between 17.5% and 18.5% can be anticipated. Of this, 8.1% has already been paid out in the first two interim payments. The dividend still to be expected in future will amount correspondingly to between 9.4% and 10.4%.

III. 3. INTERIM PAYMENT

As a result of the settlement of the transactions described in Section I. 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 third interim payment of 7% to creditors with recognised third-class claims.

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

Kind regards

Swissair Swiss Air Transport Company Ltd. in debt restructuring liquidation
The Liquidator:

Karl Wüthrich

www.liquidator-swissair.ch

**Hotline Swissair Swiss Air Transport Company Ltd
in debt restructuring liquidation**

Deutsch: +41-43-222-38-30

Français: +41-43-222-38-40

English: +41-43-222-38-50