



**ORCO PROPERTY GROUP S.A.**

42 rue de la Vallée  
L-2661 Luxembourg  
Luxembourg  
R.C.S. Luxembourg B 44996  
(the "Company" or "OPG")

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**BONDS OF ORCO PROPERTY GROUP S.A. VAR/2011**

**ISSUE DATE FEBRUARY 3, 2006**

**ISIN CZ0000000195**

**BONDHOLDERS MEETING**

**TO BE HELD ON APRIL 30, 2012 AT PALÁC ARCHA, NA POŘÍČÍ 26,  
110 00, PRAGUE 1 AT 16:00 CET**

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**PROPOSED TERMS AND CONDITIONS OF THE OPG  
CONVERSION**

***AMENDED FURTHER TO THE APPROVAL OF THE OPG CONVERSION BY  
THE MEETINGS OF THE HOLDERS OF OPG BONDS 2010 (ISIN  
FR0010249599), 2013 (ISIN FR0010333302) AND 2014 (ISIN XS0291838992 /  
XS0291840626) HELD ON 27 APRIL 2012 IN LUXEMBOURG***

The OPG Bonds: The following bond issues (each a "**Tranche**"), all of which are subject to the terms and conditions of the plan de sauvegarde of the Company as approved by the Paris Commercial Court on 19 May 2010 (the "**Plan de Sauvegarde**"):

- EUR 50,272,605.30 OBSAR 1 bonds issued by OPG on 18 November 2005 (ISIN - FR0010249599, "**OPG Bonds 2010**");
- CZK 300,000,000.00 Czech Bonds issued by OPG on 3 February 2006 (ISIN - CZ0000000195, "**OPG Bonds 2011**"). As of the date of this document,

EUR11,631,934 of nominal OPG Bonds 2011 remain outstanding;

- EUR 149,999,928.00 Convertible Bonds issued by OPG on 1 June 2006 (ISIN - FR0010333302 , "**OPG Bonds 2013**");
- EUR 175,000,461.60 OBSAR 2 bonds issued by OPG on 28 March 2007 (ISIN - XS0291838992 / XS0291840626, "**OPG Bonds 2014**"); and
- EUR 24,169,193.39 Exchangeable Bonds in Suncani Hvar Shares issued by OPG on 30 June 2005 (ISIN - XS0223586420, "**OPG Bonds 2012**").

together, the "**OPG Bonds**" and holders thereof, "**OPG Bondholders**".

The OPG Bonds are deemed to correspond to an aggregate amount of EUR 548.5m (the "**Claim**") for the sole purpose of the Transaction and only if the Transaction is fully implemented.

The OG Bonds: EUR 100,100,052 five-year bonds issued by OG as per a prospectus dated 24 May 2007 (ISIN - XS0302623953, the "**OG Bonds**" and holders thereof, "**OG Bondholders**"). The OG Bonds correspond to a global amount of EUR 129.1 million including accrued interests and reimbursement premium. To such OG Bonds were attached warrants registered under ISIN code XS0302626899 (the "**OG Warrants**", and holders thereof the "**OG Warrantholders**").

Overview of the Transaction: The transaction proposed by an ad-hoc committee of OPG Bondholders representing approximately 1/3 of the nominal value of the OPG Bonds (the "**Transaction**") contemplates a restructuring launched by the Company whereby the OPG Bonds would be exchanged for a consideration consisting of (i) newly issued common shares of the Company (the "**Shares**") and (ii) new debt instruments.

In case of scenario 2 as described below, Transaction shall mean a restructuring launched by the Company whereby :

- the OPG Bonds would be exchanged for a consideration consisting of (i) newly issued common shares (the "**Shares**") of the Company and (ii) new debt instruments (the "**OPG Transaction**"); and
- the OG Bonds would be exchanged for a consideration consisting of (i) new bonds to be issued by OPG and convertible into shares of the Company, OG shares or cash (the "**OCA**") and (ii) new debt instruments (the "**OG Transaction**").

## **I. KEY ECONOMIC TERMS**

The proposed Transaction shall consist in:

A. Scenario 1 (transaction with OPG Bondholders only, in all cases other than those set out under scenario 3 below) :

(i) The mandatory exchange of 86.3% of the number of the OPG Bonds of each Tranche for new Shares to be issued upon a decision of the extraordinary general meeting ("EGM") of the shareholders of OPG (the "OPG Equity Consideration 1"),

it being specified that, subject to the conditions set out below, the mandatory exchange will not be carried out for any Tranche unless it is carried out for the OPG Bonds 2010, the OPG Bonds 2013 and the OPG Bonds 2014 Tranches, and

(ii) The exchange on a voluntary basis of the remaining OPG Bonds of each Tranche, the mandatory exchange of which as referred to in A.(i) above has been performed, against new bonds to be issued by OPG within the framework of a public exchange offer (the "New Notes Consideration 1"). Any outstanding OPG Bonds not exchanged on a voluntary basis shall retain the terms and conditions as per the Plan de Sauvegarde.

(iii) The free allocation to each existing shareholder of OPG of one warrant per OPG share, that would each give right to the subscription of one new Share at a price of EUR 4.10, with a 3-month maturity.

(iv) In this scenario, OPG shall not, and procures that OG shall not, offer to the OG Bondholders any consensual transaction that would provide economic terms and conditions more favorable for the OG Bondholders than those approved by the OG Bondholders' meeting on 5 April 2012.

B. Scenario 2 (global transaction with both OPG Bondholders and OG Bondholders):

(i) The mandatory exchange of:

a) for the OPG Bonds, 89.9% of the number of the OPG Bonds of each Tranche for new Shares to be issued upon a decision of the EGM of the shareholders of OPG (the "OPG Equity Consideration 2"); it being specified that, subject to the conditions set out below, the mandatory exchange will not be carried out for any Tranche unless it is carried out for the OPG Bonds 2010, the OPG Bonds 2013 and the OPG Bonds 2014 Tranches, and

b) for the OG Bonds, 84.5% of the number of the OG Bonds for new bonds convertible into Shares (the "OCA") to be issued upon a decision of the board of directors of OPG (the "OG Equity Consideration");

(ii) the exchange on a voluntary basis of :

a) the remaining OPG Bonds of each Tranche, the mandatory exchange of which as referred to in B.(i)(a) above has been performed, against new bonds to be issued by

OPG within the framework of a public exchange offer (the "New Notes Consideration 2"). Any outstanding OPG Bonds not exchanged on a voluntary basis shall retain the terms and conditions as per the Plan de Sauvegarde;

b) the remaining OG Bonds, after the mandatory exchange as referred to in B.(i)(b) above has been performed, against new bonds to be issued by OPG within the framework of an exchange public offer (the "OG New Notes Consideration"). The terms and conditions of any outstanding OG Bonds not exchanged on a voluntary basis shall be amended to have their maturity postponed to 2050 and their interest rate lowered to 0.5% per annum, with effect immediately after the closing of the voluntary public exchange offer.

If OG Bondholders and/or OG Warrantholders meetings do not approve Scenario 2, then scenario 3 or if applicable scenario 1 will apply.

C. Scenario 3 (transaction with OPG Bondholders only in case the OPG Bond Conversion Condition is fulfilled, as defined in the terms and conditions of the OCA approved by the OG Bondholders general meeting of April 5, 2012, it being agreed that under such scenario the OG Bondholders shall convert 100% of their claims under the OG Bonds into OPG equity instruments for no more than 27.2 million Shares and shall not receive any OG equity instruments nor any debt consideration):

(i) The mandatory exchange of 73.6% of the number of the OPG Bonds of each Tranche for new Shares to be issued upon a decision of the extraordinary general meeting ("EGM") of the shareholders of OPG (the "**OPG Equity Consideration 3**"), it being specified that, subject to the conditions set out below, the mandatory exchange will not be carried out for any Tranche unless it is carried out for the OPG Bonds 2010, the OPG Bonds 2013 and the OPG Bonds 2014 Tranches, and

(ii) The exchange on a voluntary basis of the remaining OPG Bonds of each Tranche, the mandatory exchange of which as referred to in C.(i) above has been performed, against new bonds to be issued by OPG within the framework of a public exchange offer (the "**New Notes Consideration 1**"). Any outstanding OPG Bonds not exchanged on a voluntary basis shall retain the terms and conditions as per the Plan de Sauvegarde.

## **I-1. OPG Equity Consideration**

### **1. Size of Share Issue:**

Under scenario 1:

97,900,000 Shares for a value of EUR 473.3 million; or

Under scenario 2:

65,000,000 Shares for a value of EUR 493.3 million; or

Under scenario 3:

45,000,000 Shares for a value of EUR 403.8 million.

**2. Subscribers to the Shares Issue:** OPG Bondholders will be reserved the subscription to the Shares by way of exchange with their OPG Bonds.

For all Tranches, the ratio for the exchange of OPG Bonds for new Shares shall be defined pro rata of the portion of the Claim allocated to each relevant Tranche taking into account possible rounding differences.

**3. Documentation:** A documentation shall be established for the purpose of the Share Issue and/or the admission of the Shares to trading and in particular a prospectus which shall be drafted in accordance with the provisions of Luxembourg law dated 10 July 2005 on prospectuses for securities (the "**Prospectus Law**") and approved by the competent authority (the Commission de Surveillance du Secteur Financier, the "**CSSF**").

**4. Timing of exchange:** The exchange of OPG Bonds for new Shares shall occur on or after the date on which the CSSF has approved the prospectuses relating to the Shares, the New Notes and, in scenario 1, the Warrants. This condition is stipulated to the benefit of the OPG Bondholders and may be waived by a decision of the relevant general meetings of the OPG Bondholders.

## **I-2. OG Equity Consideration**

Under scenario 1 : under scenario 1, OPG shall not, and procures that OG shall not, offer to the OG Bondholders any consensual transaction that would provide economic terms and conditions more favorable for the OG Bondholders than those approved by the OG Bondholders' meeting on 5 April 2012.

Under scenario 2: the OG Equity consideration shall consist in the OCA the terms and conditions of which are described as follows:

**1. Main terms of the OCA:** 84.5% of the number of the OG Bonds shall convert for their total nominal amount, accrued interest and reimbursement premium (EUR 109.1 million) into OCA two business days after the date on which the meetings of the holders of OPG Bonds 2010, OPG Bonds 2013 and OPG Bonds 2014 are held to resolve on the OPG Transaction and have approved the OPG Transaction at the relevant majority (the "**OCA Issue Date**").

If this condition is not met by 18 May 2012, the decision of the OG Bondholders to convert their OG Bonds into OCA shall lapse and the Company shall issue at the latest on 21 May 2012 the convertible bonds the issue of which was decided on 5 April 2012 by the OG Bondholders, it being acknowledged that in such case the "OPG Bond Conversion Condition" set out in the terms and conditions of the convertible bonds approved by the OG Bondholders on 5 April 2012 shall be irrevocably deemed to not have been met.

The OCA are convertible as follows

\* First Payment: OCA in an aggregate amount of EUR 76,000,000 are converted into 18,361,548 OPG Shares no later than 22 May 2012.

\* Second Payment: up to 28 September 2012 (28 September 2012 being referred to as the "**Exchange Date**"), the OCA in an aggregate amount of EUR 33,129,067 (the "Second Payment Amount").

(i) up to 16 July 2012, can be repaid, at the option of the Company, in full but not in part, by the Company, in cash in immediately available funds; for the avoidance of doubt, in the event the Company elects to repay in cash but fails to make such payment, the Company shall be deemed not to have elected to make such cash payment and the OCA shall convert into shares as provided below; it being specified that in case the Company elects to repay in cash the OCA as set forth in this paragraph (i), then OG shall repay in cash the remaining outstanding OG Bonds in immediately available funds in an amount of EUR 872.04 per one OG Bond; or

(ii) up to 28 September 2012, can be converted into OPG shares, representing a total number of 7,848,081 OPG shares, as decided by a meeting of the OCA holders (at a majority vote of 50% plus 1 OCA of all the OCA outstanding).

On the Exchange Date, and provided they have not already been repaid in cash in immediately available funds or converted pursuant the paragraph above, the OCA in an aggregate amount equal to the Second Payment Amount, shall be converted into shares as follows:

(i) if and provided that (x) the OPG Bond Conversion Condition is met three (3) business days prior to the Exchange Date (the "**Longstop Date**") and that (y) in accordance with paragraph II.5(ii)(c) below and provided that the Company has filed in due course all necessary court papers for the hearing scheduled on or about 14 May 2012, the Paris Commercial Court has approved, on or before the Longstop Date, the amended terms of the *Plan de Sauvegarde* in order to enable the implementation of the substance of the Transaction, it being agreed that such Longstop Date shall be extended pro rata if the court hearing scheduled on or about 14 May 2012 is postponed or reconvened for whatever reason (the "**Court Approval Condition**"), then the OCA shall be converted into OPG shares, representing a total number of 7,848,081 OPG Shares;

(ii) if and provided (x) the OPG Bond Conversion Condition is not met on the Longstop Date or (y) the Court Approval Condition is not met on the Longstop Date as such Longstop Date may be extended pursuant to section (i)(y) above, the OCA shall, as decided by the meeting of the OCA holders (at a majority vote of 50% plus 1 OCA of all the OCA outstanding), be converted into either:

- OPG shares representing a total number of 7,848,081 OPG Shares; or
- OG shares in a number representing, on the Exchange Date and after completion of the OG Bond Equitization (as defined below) and the

Nominal Value Reduction (as defined below), 55% of the share capital and voting rights of OG on a fully diluted basis, it being specified that, in the event the Company elects not to repay the OCA in cash, the election decision of the OCA holders referred to in this paragraph shall not be required to be made by 21 September 2012 but can be extended as necessary to allow for proper notice period, quorum, and majority decision of the OCA holders' meeting to be taken in accordance with applicable laws (in which case, the Exchange Date shall be postponed accordingly).

If the OCA converts into 55% of OG shares in accordance with the above provisions, only those OCA holders who have remitted to the Company (i) their OCA and (ii) their remaining OG Bonds shall receive their pro rata number of OG shares calculated on the basis of the number of OCA and remaining OG Bonds remitted by them, it being specified that the total of all remaining OCA and OG Bonds shall equal 55% of the OG shares.

Prior to the Second Payment, the Company shall:

(a) vote at the relevant shareholders' meeting of OG resolving the OG Bonds Equitization in favor of a reduction of the nominal value of each share issued by OG (the "**Nominal Value Reduction**");

(b) convert the EUR 109.1 million including the accrued coupons of OG Bonds that the Company holds into additional new shares of OG in a number which shall be determined on the basis of the volume weighted average price of OG shares on the main market of the Frankfurt stock exchange over a period of 6 (six) months prior to 20 March 2012 (the "**OG Bonds Equitization**").

The Longstop Date may be extended at the request of the Company provided that such extension has been agreed by a decision of the OCA holders (taken in accordance with the quorum and majority requirements provided for by law in a meeting of OCA holders convened and held prior to 21 September 2012).

**2. Listing of the OPG shares / OG shares:** OPG and OG shall take all necessary steps and use their best efforts to obtain, the admission to listing, on the regulated markets on which OPG's and OG ordinary shares are currently listed, of the OPG or OG shares to be issued or delivered upon conversion of the OCA as soon as possible after the issue of the OCA, and will use their best efforts to maintain such admission to listing.

**3. Condition for the conversion of the OCA under the First Payment:** The conversion of the OCA into OPG Shares under the First Payment shall occur as soon as possible after, and at the latest on the third business day following, the OCA Issue Date.

**4. Condition for the conversion of the OCA under the Second Payment:** The conversion of the OCA into OPG Shares under the Second Payment, as the case may be, shall occur on or after the date on which the CSSF has approved the prospectuses

relating to such OPG Shares and the New Notes. This condition is stipulated to the benefit of the OCA holders and may be waived by a decision of the general meeting of the OCA holders no later than 13 July 2012 (at a majority vote of 50% plus 1 OCA of all the OCA outstanding), in which case the OPG Shares shall be issued at the date decided by such general meeting of OCA holders.

**5. The OPG Bond Conversion Condition:** "OPG Bond Conversion Condition" means the approval of the OPG Transaction as described in this annex A at the relevant majority by the general meetings of the OPG Bondholders holding the OPG Bonds 2010, OPG Bonds 2013 and OPG Bonds 2014.

**6. Transfer Restrictions / Listing of the OCA:** The OCA shall not be negotiable on the capital markets and shall not be offered to the public.

The OCA shall not be listed and/or admitted to trading on any stock exchange within the European Economic Area nor on a stock exchange outside the European Economic Area.

**7. Status of the OCA:** The OCA shall constitute direct, general and unconditional obligations of OPG which will at any time rank pari passu among themselves and at least pari passu with all the other present and future unsecured obligations of OPG, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

**8. Interest:** The OCA shall bear an interest per year of 0.01% (the "Interest") from, and including, the issue date until, and including, the Exchange Date, calculated on the basis of a year of 360 days. The Interest shall be paid by OPG in one instalment on the date of the Second Payment.

For the avoidance of doubt, the First Payment Amount shall bear no interest.

**9. Security:** The OCA holders shall benefit, as from the issue date, from a lien over 55% of all shares issued by OG and held by OPG as collateral in a separate securities account that shall be pledged to the benefit of the OCA holders for (i) the repayment in cash of the OCA, if any, and (ii) the conversion of the OCA into OG shares, if any, in accordance with the provisions above; it being agreed that this pledge shall not secure the conversion of the OCA into OPG shares.

**10. Applicable Law:** Luxembourg Law

Under scenario 3: not applicable under these terms and conditions.

### **I-3. New Notes Consideration 1 under scenarios 1 and 3**

**1. Issuer:** Orco Property Group SA (the "Company" or "OPG").

**2. Issue Date of the New Notes:** After the granting of the authorisation by the Commercial Court of Paris pursuant to the Plan de Sauvegarde to proceed to such public exchange offer and promptly after closing of the offer period of the public



exchange offer which shall begin after approval by the CSSF of the terms and conditions of the public exchange offer, such approval being scheduled to occur upon closing of the OPG Equity Consideration.

**3. Nominal Amount:**

**Scenario 1:**

The OPG Bondholders who accept the proposed exchange referred to in under paragraph I.A.(ii) above will receive new debt instruments (the "New Notes"), in exchange for their residual OPG Bonds post completion of the mandatory exchange referred to in paragraph I.A.(i) above.

The proposed amount of the New Notes to be issued assuming 100% participation by the OPG Bondholders to the voluntary exchange offer shall be of up to EUR75.2 million (such amount shall be adjusted to take into account the final size of the Share Issue under the Equity Consideration after rounding).

**Scenario 3:**

The OPG Bondholders who accept the proposed exchange referred to in under paragraph I.C.(ii) above will receive new debt instruments (the "New Notes"), in exchange for their residual OPG Bonds post completion of the mandatory exchange referred to in paragraph I.C.(i) above.

The proposed amount of the New Notes to be issued assuming 100% participation by the OPG Bondholders to the voluntary exchange offer shall be of up to EUR144.7 million (such amount shall be adjusted to take into account the final size of the Share Issue under the Equity Consideration after rounding).

**4. Security: None.**

**5. Maturity: 28 February 2018 (the "Maturity Date").**

**6. Coupon: The New Notes will bear a coupon per annum of**

(i) 5% cash plus 5% PIK, as long as more than 75% of the Nominal Amount remain outstanding

(ii) 4% cash plus 4% PIK, as long as more than 50% but no more than 75% of the Nominal Amount remain outstanding

(iii) 4% cash plus 3% PIK, as long as no more than 50% of the Nominal Amount remain outstanding

The PIK element of the coupon shall, subject to the provisions of article 1154 of the Luxembourg civil code, be compounding annually from the Issue Date until the Maturity Date and remains subject to the issuance by the Company of a capitalisation notice each year in relation to interest accrued and due for more than 1 year; if such notice is not refused by the holders of the New Notes within a period to be agreed in the final documentation, then it will be deemed to be accepted by them.

**7. Amortisation Dates:**

- \* 28 February 2015: 25% of the Nominal Amount;
- \* 28 February 2016: 25% of the Nominal Amount;
- \* 28 February 2017: 25% of the Nominal Amount;
- \* 28 February 2018: The outstanding principal amount of the New Notes.

**8. Redemption: In cash only at the Amortisation Dates.**

**9. Mandatory Prepayment on Asset Disposals:** In scenario 1, the Company will procure that 25% of the Net Proceeds (as defined below) received from the earlier of (i) 30 June 2012 onwards and (ii) the Issue Date of the New Notes, by OPG or any of its subsidiaries as a result of the disposal of the following assets is applied in prepayment of the New Notes (the "Prepaid Amounts"):

- \* Fillion Shopping Center
- \* Radio Free Europe
- \* Vaci 1
- \* CEE Hotels (including Pachtuv Palace)
- \* Na Porici
- \* Hradcanska
- \* Diana Office
- \* Capellen
- \* Stribro
- \* Marki
- \* Vaci 188
- \* Paris Department Store
- \* Zlota (only upon completion of project development)
- \* Molcom (any part of the deferred payment amount in excess of EUR20m and any earn-out component).

The Prepaid Amounts should reduce the upcoming payments due as per the Amortisation Dates in straight chronological order and shall be paid within 30 business days from receipt of Net Proceeds by OPG but in any case no earlier than the Issue Date of the New Notes.

"Net Proceeds" shall mean the gross sale proceeds less (a) liabilities becoming due at disposal including bank cash sweep, (b) disposal expenses and (c) taxes becoming due at disposal.

In scenario 3, the Prepaid Amounts shall amount to 37.5% of the Net Proceeds.

**10. Other Terms and Conditions:** The terms and conditions of the New Notes will include customary provisions in terms of events of default, covenants, negative pledge provisions and applicable law, including the following:

Applicable law: Luxembourg law.

Status of New Notes: direct, unconditional, and unsubordinated obligations ranking pari passu.

Negative Pledge<sup>2</sup> : Only on OPG S.A. level (excluding the share pledge on 55% of all shares issued by OG for the benefit of the OCA holders)

Incurrence of Financial Indebtedness:

- limitation on the incurrence of new indebtedness by OPG subsidiaries such that LTV is not in excess of 65% (excluding any refinancing of any existing indebtedness)
- limitation on the incurrence of new indebtedness by OPG S.A. and by OG S.A. in excess of EUR 5 million (excluding any refinancing of any existing indebtedness)

Early redemption in case of Event of Default:

Grace periods:

- payment default (principal, interest or any other amount in respect of the New Notes): 5 business days;
- default in relation to any other obligations: 30 days.

Enforcement action provision.

Cross-default : no cross-default provision.

The New Notes shall not be due if the Company remedies the situation no later than the day preceding the general meeting of the holders of the New Notes resolving on the occurrence of an Event of Default.

Early redemption at Company's discretion: at any time at 100% of the Nominal Amount.

Repurchase of New Notes by the Company on secondary market: at any time at arm's length terms subject to New Notes repurchased being cancelled as soon as possible thereafter. For the avoidance of doubt, New Notes repurchased by the Company will not qualify for the Mandatory Prepayment on Asset Disposals referred to above;

Representation of the noteholders: the noteholders will be represented and the general meetings of noteholders will be organized in accordance with the provisions of articles 86 to 94-8 of the Luxembourg act dated 10 August 1915 on commercial companies, as amended.

Restrictions on transfer of New Notes: none.

Save as otherwise provided in these Heads of Terms, the terms and conditions of the New Notes will be similar to those of the OPG Bonds.

#### **11. Documentation:**

\* A prospectus for the public offer of the New Notes will have to be drafted in accordance with the provisions of the Prospectus Law. This prospectus will also have to be approved by the CSSF.

\* An exchange offer memorandum shall be drafted to inform the OPG Bondholders on the possibility to accept the public exchange offer and the terms of the public exchange offer.

#### **I-4. OPG and OG New Notes Consideration under scenario 2**

Under scenario 2, the OPG and OG New Notes Consideration as referred to in section I.B.(ii) above shall have the following terms.

**1. Issuer:** Orco Property Group SA (the "**Company**" or "**OPG**").

**2. Issue Date of the New Notes:** After the granting of the authorisation by the Commercial Court of Paris pursuant to the *Plan de Sauvegarde* to proceed to such public exchange offer and promptly after closing of the offer period of the public exchange offer which shall begin after approval by the CSSF of the terms and conditions of the exchange public offer, such approval being scheduled to occur upon closing of the OPG Equity Consideration and the OG Equity Consideration transactions.

In the case where (i) the mandatory exchange of the OG Bonds as referred to in paragraph I.B (i)(b) above has been performed and (ii) the mandatory exchange of the OPG Bonds as referred to in paragraph I.B(i)(a) above has not been performed, on or before 30 September 2012, this shall not prevent the voluntary public exchange offer referred to above being opened to the holders of OG Bonds.

It being specified that the voluntary public exchange offer as referred to above shall not be offered to the OG Bondholders in the case (i) where the OCA are repaid in cash by the Company in accordance with paragraph I-2.1(i) above or (ii) where the OCA holders would have elected to obtain OG shares in accordance with paragraph I-2.1(ii) of this Annex.

In the case where (i) the mandatory exchange of the OPG Bonds as referred to in paragraph I.B(i)(a) above has been performed and (ii) the mandatory exchange of the OG Bonds as referred to in paragraph I.B(i)(b) above has not been performed, on or before 30 September 2012, this shall not prevent the voluntary public exchange offer referred to above to be opened to the holders of the OPG Bonds.

**3. Nominal Amount:** The OPG Bondholders and the OG Bondholders who accept the proposed exchange referred to in paragraph I.B(ii) above will receive new debt

instruments (the "New Notes"), in exchange for their residual OPG Bonds or OG Bonds, as the case may be, post completion of the mandatory exchange I.B(i) above.

The proposed amount of the New Notes to be issued assuming 100% participation by the OPG Bondholders and the OG Bondholders to the voluntary exchange offer shall be of up to, respectively:

\* as regards the OPG bondholders, EUR 55.2 million (such amount shall be adjusted to take into account the final size of the Share Issue under the OPG Equity Consideration after rounding);

\* as regards the OG bondholders, EUR 20 million (such amount shall be adjusted to take into account the final size of the OCA issue under the OG Equity Consideration after rounding).

**4. Security:** None.

**5. Maturity:** 28 February 2018 (the "**Maturity Date**").

**6. Coupon:** The New Notes will bear a coupon per annum of

(i) 5% cash plus 5% PIK, as long as more than 75% of the Nominal Amount remain outstanding

(ii) 4% cash plus 4% PIK, as long as more than 50% but no more than 75% of the Nominal Amount remain outstanding

(iii) 4% cash plus 3% PIK, as long as no more than 50% of the Nominal Amount remain outstanding

The PIK element of the coupon shall, subject to the provisions of article 1154 of the Luxembourg civil code, be compounding annually from the Issue Date until the Maturity Date and remains subject to the issuance by the Company of a capitalisation notice each year in relation to interest accrued and due for more than 1 year; if such notice is not refused by the holders of the New Notes within a period to be agreed in the final documentation, then it will be deemed to be accepted by them.

**7. Amortisation Dates:**

\* 28 February 2015: 25% of the Nominal Amount;

\* 28 February 2016: 25% of the Nominal Amount;

\* 28 February 2017: 25% of the Nominal Amount;

\* 28 February 2018: The outstanding principal amount of the New Notes.

**8. Redemption:** In cash only at the Amortisation Dates.

**9. Mandatory Prepayment on Asset Disposals:** The Company will procure that 25% of the Net Proceeds (as defined below) received from the earlier of (i) 30 June 2012 onwards and (ii) the Issue Date of the New Notes, by the Company or any of its

subsidiaries as a result of the disposal of the following assets is applied in prepayment of the New Notes (the "Prepaid Amounts"):

- \* Fillion Shopping Center
- \* Radio Free Europe
- \* Vaci 1
- \* CEE Hotels (including Pachtuv Palace)
- \* Na Porici
- \* Hradcanska
- \* Diana Office
- \* Capellen
- \* Stribro
- \* Marki
- \* Vaci 188
- \* Paris Department Store
- \* Zlota (only upon completion of project development)
- \* Molcom (any part of the deferred payment amount in excess of EUR20m and any earn-out component)
- \* Sky Office, to the extent such proceeds are not applied to the GSG refinancing

The Prepaid Amounts should reduce the upcoming payments due as per the Amortisation Dates in straight chronological order and shall be paid within 30 business days from receipt of Net Proceeds by OPG but in any case no earlier than the Issue Date of the New Notes.

"Net Proceeds" shall mean the gross sale proceeds less (a) liabilities becoming due at disposal including bank cash sweep, (b) disposal expenses and (c) taxes becoming due at disposal.

**10. Other Terms and Conditions:** The terms and conditions of the New Notes will include customary provisions in terms of events of default, covenants, negative pledge provisions and applicable law, including the following:

Applicable law: Luxembourg law.

Status of New Notes: direct, unconditional, and unsubordinated obligations ranking pari passu.

Negative Pledge<sup>3</sup>: Only on OPG S.A. level (excluding the share pledge on 55% of all shares issued by OG for the benefit of the OCA holders as referred to above)

Incurrence of Financial Indebtedness:

- limitation on the incurrence of new indebtedness by OPG subsidiaries such that LTV is not in excess of 65% (excluding any refinancing of any existing indebtedness)
- limitation on the incurrence of new indebtedness by OPG S.A. and OG SA in excess of EUR 5 million (excluding any refinancing of any existing indebtedness)

Early redemption in case of Event of Default:

Grace periods:

- payment default (principal, interest or any other amount in respect of the New Notes): 5 business days
- default in relation to any other obligations: 30 days

Enforcement action provision.

Cross-default : no cross-default provision.

The New Notes shall not be due if the Company remedies the situation no later than the day preceding the general meeting of the holders of the New Notes resolving on the occurrence of an Event of Default.

Early redemption at Company's discretion: at any time at 100% of the Nominal Amount.

Repurchase of New Notes by the Company on secondary market: at any time at arm's length terms subject to New Notes repurchased being cancelled as soon as possible thereafter. For the avoidance of doubt, New Notes repurchased by the Company will not qualify for the Mandatory Prepayment on Asset Disposals referred to above;

Representation of the noteholders: the noteholders will be represented and the general meetings of noteholders will be organized in accordance with the provisions of articles 86 to 94-8 of the Luxembourg act dated 10 August 1915 on commercial companies, as amended.

Restrictions on transfer of New Notes: none.

Save as otherwise provided in these Heads of Terms, the terms and conditions of the New Notes will be similar to those of the OPG Bonds.

**11. Documentation:**

\* A prospectus for the public offer of the New Notes will have to be drafted in accordance with the provisions of the Prospectus Law. This prospectus will also have to be approved by the CSSF.

\* An exchange offer memorandum shall be drafted to inform the OPG Bondholders on the possibility to accept the public exchange offer and the terms of the public exchange offer.

## **I-5. Warrants under scenario 1**

1. Issuer: OPG
2. Description: Warrant giving the right to subscribe for new OPG Shares (the "Warrants"). Each Warrant is allocated for free.
3. Number of Warrants: 1 Warrant per existing OPG share as of the date hereof, i.e. 17,053,866 Warrants
4. Subscription ratio: Each Warrant gives the right to subscribe for 1 new OPG Share
5. Subscription price: EUR 4.10 per OPG Share
6. Maturity: The Warrants may be exercised at any time between the date of issuance and a date which is 3 months after the date of issuance.
7. Listing: Yes.

## **II. OTHER TERMS**

For the avoidance of doubt, all the provisions set forth below in this section "Other Terms" shall be applicable under scenario 1, scenario 3 and scenario 2, save for certain provisions (where indicated) which shall only be applicable to scenario 2.

1. Governance: Each member of the board shall have one voting right.

Decisions of the board shall be taken at simple majority.

Majority of the board will be held by non-executive members.

2. Shareholders' meeting: OPG undertakes (i) to convene a shareholders' meeting upon request from one or several shareholders holding at least, individually or collectively, 10% of the share capital of OPG and (ii) to add to the agenda of any shareholders' meeting any additional point upon request from one or several shareholders holding at least, individually or collectively, 5% of the share capital of OPG.

3. Reserved Matters: Decisions to be submitted to the board of directors shall include, among others:

- \* Capital expenditures in excess of EUR5m;

- \* Incurrence of Financial Indebtedness:

- limitation on the incurrence of new indebtedness by OPG subsidiaries such that LTV is not in excess of 55% (excluding any refinancing of any existing indebtedness);

- limitation on the incurrence of new indebtedness by OPG S.A. in excess of EUR5m (excluding any refinancing of any existing indebtedness);

- \* Any merger/acquisition/disposal/joint venture operations in excess of EUR10m;

- \* Any distribution of dividends;



- \* The issuance of new shares or equity-linked instruments;
- \* Appointment and removal of Chairman of the board of directors and Company's Chief Executive Officer;
- \* Any transactions involving OPG or any of its subsidiaries not completed on an arms-length basis.

**4. Standstill:** The Company shall not implement any issuance of new shares or equity-linked instruments in excess of EUR 10 million or with an issue price below EUR 5.5 per share within the period from and including 17 April 2012 to and including the date which falls 90 calendar days following the earlier of (i) the first OPG shareholders meeting to be held following the issuance of the OPG shares within the framework of the OPG Equity Consideration and (ii) 15 July 2012 (the "**Standstill**").

For the avoidance of doubt, the Standstill shall not apply to (i) the OG Equity Consideration and to the OPG Equity Consideration nor (ii) to any share capital issue to be carried out for the purposes of the proposal to other creditors of the Company as referred to below in this Annex A.

**5. Conditionality of the Proposed Transaction:** Implementation of the Transaction reflecting the terms specified herein is subject to the following further conditions:

(i) As regards both the OPG Transaction and the OG Transaction:

(a) Approval of the Transaction by the board of directors of the Company, and in particular the issuance of the New Notes upon the closing of the public exchange offer, and approval by the board of directors of OG of the OG Transaction and its implementation steps;

(b) Approval of the OG Transaction at the relevant majority by the general meeting of the OG Bondholders;

(c) Approval of the OG Transaction at the relevant majority by the general meeting of the OG Warrantholders;

(d) A *réviseur d'entreprises agréé* appointed by the Company has issued a report giving a description of the proposed contributions as well as of the methods of valuation used and stating that the values resulting from the application of these methods correspond at least to the number and accounting par value and the share premium of the new OPG shares to be issued in consideration for the contribution of all of the OG Bonds within the OG Transaction.

(ii) As regards the OPG Transaction only:

(a) Approval of the OPG Transaction at the relevant majority by the general meetings of the OPG Bondholders holding the OPG Bonds 2010, OPG Bonds 2013 and OPG Bonds 2014;

(b) Approval of the OPG Transaction by an OPG EGM deciding in particular the share capital increase of OPG in relation to the OPG Equity Consideration;

(c) Approval by the Commercial Court of Paris to amend the terms of the Plan de Sauvegarde following a filing to be submitted by the Company;

(d) Approval at the relevant majority by the general meetings of the OPG Bondholders holding the OPG Bonds 2010, OPG Bonds 2013 and OPG Bonds 2014 of a resolution instructing the bondholders' representatives of the OPG Bonds 2010, OPG Bonds 2013 and OPG Bonds 2014 (a) to finally and definitively waive and withdraw the current lawsuits initiated by the bondholder's representatives of the OPG Bonds 2010, OPG Bonds 2013 and OPG Bonds 2014 (including the tierce opposition as well as the appeals against the supervisory judge's orders regarding the *requêtes en interprétation*), it being specified, for the avoidance of doubt, that the bondholders' representatives of the OPG Bonds 2010, OPG Bonds 2013 and OPG Bonds 2014 shall be instructed to file "*conclusions de désistement d'instance et d'action*" in the course of such proceedings according to the French Civil Procedure Code, only if and immediately after conditions set out in paragraphs 5(ii)(a), 5(ii)(b), 5(ii)(c), 5(ii)(e), 5(ii)(f) and 5(ii)(g) shall have been fulfilled and (b) not to further challenge the judgment dated 19 May 2010 adopting the *Plan de Sauvegarde*;

(e) Withdrawal by the Company from any pending action, litigation or recourse against Mr. Luc Leroi in his capacity as bondholders' representative of any of the OPG Bonds and undertaking by the Company not to further claim from Mr. Luc Leroi in his capacity as bondholders' representative of any of the OPG Bonds any compensation, indemnification or damages; it being agreed that such withdrawal and undertaking are subject to the conditions set out in paragraphs 5(ii)(a), 5(ii)(b), 5(ii)(c), 5(ii)(d), 5(ii)(f) and 5(ii)(g) being fulfilled;

(f) A *réviseur d'entreprise agréé* appointed by the Company has issued a report giving a description of the proposed contributions of the OPG Bonds as well as of the methods of valuation used and stating that the values resulting from the application of these methods correspond at least to the number and accounting par value and the share premium of the new Shares to be issued within the OPG Equity Consideration.

(g) Approval by the CSSF of the prospectuses relating to the Shares and the New Notes and, in scenario 1, the Warrants. This condition is stipulated to the benefit of the OPG Bondholders and may be waived by a decision of the relevant general meetings of the OPG Bondholders.

(iii) As regards the OG Transaction only:

(a) OPG to petition the Commercial Court of Paris to amend the terms of the *Plan de Sauvegarde* following a filing to be submitted by OPG in order to enable the transactions contemplated by the Convertible Bonds and the Pledge Agreement in respect of the OG shares to be delivered thereunder, as the case may be.

(b) OPG shall have, prior to the issue of the OCA, executed and delivered to the OG Bondholders or Augustin Capital Management Ltd, acting in the name and on behalf of the OG Bondholders, as the case may be, the pledge over OG shares described in paragraph I-2.(9) of this Annex.

**6. Existing OPG Warrants:** OPG shall hold and maintain that number of OPG Bonds of each of the OPG Bonds 2010 and OPG Bonds 2014 Tranches which are necessary to exercise the OPG warrants of the relevant Tranche (where the exercise of the OPG warrants can be done by inter alia payment of the exercise price through the remittance of OPG Bonds) for the duration of the exercise period of the OPG warrants, it being agreed that (i) such provision shall not affect the economic terms of the OPG Transaction, (ii) OPG shall be under no obligation to sell any such OPG Bonds 2010 and OPG Bonds 2014, (iii) OPG shall not sell any such OPG Bonds 2010 and OPG Bonds 2014 for any purpose other than the exercise of the OPG warrants, (iv) any sale of such OPG Bonds 2010 and OPG Bonds 2014 shall only be made at full nominal value of such OPG Bonds 2010 and OPG Bonds 2014 and for payment in cash only, and (v) OPG shall not sell any such OPG Bonds 2010 and OPG Bonds 2014 to any party to the master agreement signed on 17 April 2012 related to the Transaction.

**7. Proposal to other creditors of OPG:** The other creditors of OPG under the Plan de Sauvegarde (suppliers, banks having exercised their guarantees vis-à-vis OPG, other non-contingent creditors) shall be offered a transaction identical to the OPG Transaction. In order to be able to accommodate for this offer, OPG shall propose to its EGM of shareholders respective adjustments to the authorised capital. On 17 April 2012, such other creditors under the *Plan de Sauvegarde* represent an amount around 18.6 million euros.

<sup>1</sup> Note: OPG Bondholders to nominate a candidate or OPG can nominate one if necessary

<sup>2</sup> The Negative Pledge provision shall be similar to the provision 4.1.5.2 of the OPG Bonds 2014 prospectus.