



Response to statement by NEPI Rockcastle

November 28, 2018 – Viceroy published its report on NEPI Rockcastle on November 28, 2018. NEPI Rockcastle have subsequently issued a preliminary response to our report.

We note that our data was sourced directly from NEPI’s filings, government records, and court records. Where we have conducted calculations, our analysis and workings have been show in full. Investors have the ability to determine the veracity of our analysis and conduct their own due diligence.

We are not of the opinion that NEPI has consistently proven transparency towards shareholders, the latest example of which is the outright refusal to engage an independent party to investigate potential trading of associated companies, suspicious capital raising activity and property transactions, at the request of 10 of South Africa’s largest financial institutions¹ (including Government fund managers).

In stark contrast to any “reasons” NEPI provides for accounting discrepancies, investors should also note with extreme caution that the Company failed to provide details of outgoing, arrears, management matters, negotiations, rent reviews, to its valuers, Cushman & Wakefield. This was not an issue for all its other geographies.

Information for Romania	Source
1. Floor areas.	The Company via DTZ Echinox
2. Tenancy Schedule.	The Company via DTZ Echinox
3. Details of irrecoverable outgoing, rental arrears and other management matters.	Not provided
4. Details of current negotiations in hand, e.g. rent reviews and active management issues	Not provided
5. Legal Title	The Company via DTZ Echinox

Information for Slovakia, Czech Republic, Croatia and Serbia	Source
3. Details of irrecoverable outgoing, rental arrears and other management matters.	The Company (not for Slovak and Czech properties)
4. Planning and zoning information	The Company (not for Slovak and Czech properties)
5. Details of current negotiations in hand, e.g. rent reviews and active management issues	The Company
6. Legal Title	The Company

Figure 1 Extract – NEPI Independent Valuers Summary Valuation Report - 2016²

Further to this, analysis of NEPI’s Romanian portfolio accounts show the company has, on average, 80 days of accounts receivable. This is indicative of substantial rent arrears, and fails the company’s claim of a 99.9% collection rate. These issues are independent of where earnings have been recognized, if this should indeed be NEPI’s response, and would not account for discrepancies in taxes paid in foreign jurisdictions.

We look forward to NEPI’s comprehensive response to our report.

¹ <https://www.businesslive.co.za/bd/companies/property/2018-10-02-nepi-rockcastle-rejects-call-by-10-of-sas-largest-financial-institutions-for-probe/>

² http://www.nepinvest.com/view_file.php?file_id=4000



Attention: Whistleblowers

Viceroy encourage any parties with information pertaining to misconduct within [insert company] or any other entity to file a report with the appropriate regulatory body.

We also understand first-hand the retaliation whistleblowers sometimes face for championing these issues. Where possible, Viceroy is happy act as intermediaries in providing information to regulators and reporting information in the public interest in order to protect the identities of whistleblowers.

You can contact the Viceroy team via email on viceroyresearch@gmail.com.

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