**NEPI Rockcastle plc**
Incorporated and registered in the Isle of Man
Registered number 014178V
JSE and Euronext share code: NRP
ISIN: IM00BDD7WV31
("**NEPI Rockcastle**" or "**the Company**")

## UPDATE ON VICEROY REPORT ON NEPI ROCKCASTLE

The Company refers to its SENS announcement of 28 November 2018 regarding the issuance of a report by Viceroy Research ("**Viceroy**") on NEPI Rockcastle (the "**Report**"), as well as to the follow-up statement made by Viceroy on the same day (which the Company has considered to form part of the Report).

Upon thorough review of the Report, the Company informs stakeholders that:

(i) the Report (although publicly stated by Viceroy to have been prepared over a period of 6 months, but without reaching out to the company for feedback) contains material errors, builds on incorrect assumptions, make unsubstantiated claims, and is grossly misleading;

(ii) Viceroy has ignored or does not understand the reporting regulations that the Company is obliged to observe locally and internationally (in particular, the differences between local accounting standards and IFRS);

(iii) Viceroy's analysis of publicly available information ignores basic accounting principles;

(iv) Viceroy ignores that the merger of New Europe Property Investments plc ("**NEPI**") and Rockcastle Global Real Estate Company Limited ("**Rockcastle**") to form NEPI Rockcastle (the "**merger**") was an all-share merger of two listed companies, based on a share swap ratio which reflected the fact that the market priced the shares of both companies at similar premiums to net asset value. NEPI shareholders benefitted from an uplift in net asset value and earnings per share immediately after the merger;

(v) Viceroy's comments regarding Mr. Pascariu's affairs ignore NEPI's public disclosure from 2008 regarding the recusal of Mr. Pascariu from any decision in respect of the referenced transactions, all of which were appropriately disclosed by the Company; and

(vi) in respect of the letter received by NEPI Rockcastle from ten signatories dated 8 August 2018 (the "**August 2018 letter**"), and following on from the Company's SENS announcements of 31 August 2018 , 1 October 2018 (referring to the Company's open conference call of 28 September 2018 during which no specific substantiated allegations were presented) and 12 November 2018, the board sub-committee has engaged with the signatories, and considers that it has adequately addressed the concerns raised. The Company has also thoroughly investigated comments made about the Company's recent transactions in Bulgaria and has found no irregularities.

The Company's detailed responses to the Report are presented below.

While Viceroy states that the Report has been prepared for educational purposes only", and that the Report and any statements made within it are "not statements of fact", it is clear that the issuance of the Report by Viceroy seeks to materially impact NEPI Rockcastle and its stakeholders. NEPI Rockcastle stakeholders are accordingly advised to consider the Company's response to the Report as contained in this announcement and act prudently when reacting to the allegations set out in the Report. In addition, the Company echoes the February 2018 request of South African National Treasury, made following Viceroy's report on Capitec Bank, that the Financial Sector Conduct Authority urgently consider whether it should initiate a market abuse investigation into the conduct of Viceroy, and to alert relevant overseas regulators to consider whether Viceroy is regulated appropriately and operating in line with their market conduct and market abuse laws. In this regard and to facilitate proper investigation, the Company considers it appropriate that Viceroy and its associates declare any trading positions they may have in NEPI Rockcastle as at the date the report was issued.

Stakeholders are advised that the Company expressly reserved its rights against Viceroy and any related party or contributor to the Report.

**Investor Call**

NEPI Rockcastle Management will hold an open investor call at 16:00 CET today, 29 November 2018, with the below dial in details:

| **Participant PIN<br>57 682 076 #** | | | |
|---|---|---|---|
| **Access Number** | **Originating Country** | **Type** | **Language** |
| +27213002861 | South Africa | Toll | English |
| +31207095105 | Netherlands | Toll | English |
| +48223072091 | Poland | Toll | English |
| +40316300885 | Romania | Toll | English |
| +442031940578 | United Kingdom | Toll | English |

To ensure the call is conducted in the most efficient manner possible, any stakeholders seeking to participate on the call should please send details of their questions and/or desire to make any comment, to OfficeIOM@nepirockcastle.com in advance.

For further information please contact:

| | |
|---|---|
| **NEPI Rockcastle plc** | |
| Alex Morar | +40 21 232 1398 |
| **JSE sponsor** | |
| Java Capital | +27 11 722 3050 |
| **Euronext Listing Agent** | |
| ING Bank | +31 20 563 6799 |

29 November 2018

**Responses to main allegations raised in the Report**

## 1. AUGUST 2018 LETTER

As announced on 31 August 2018, the members of the special sub-committee of the board constituted to consider the August 2018 letter (the "**sub-committee**") are the chair of the board (Robert Emslie), the chair of the audit committee (Andre van der Veer), the chief executive officer (Alex Morar) and the chief financial officer (Mirela Covasa).

NEPI Rockcastle has not rejected an independent investigation on any specific substantiated claims made against the Company. It has taken reasonable measures to ensure that the concerns raised in the August 2018 letter have been properly addressed, but does not believe that it has been presented with sufficient information regarding concerns over the activities of NEPI Rockcastle to form a basis for a clear scope of investigation at this stage.

The Company is committed to transparency in addressing stakeholder concerns and in this regard stakeholders are reminded that it has taken, *inter alia*, the following actions following receipt of the August 2018 letter:

(i) the sub-committee was immediately constituted;

(ii) a conference call with all signatories of the letter was held on 29 September 2018, with the unedited contents of the call made publicly available on the Company's website;
existing whistleblowing facilities have been improved to provide stakeholders with a secure line facilitated by an independent service provider to report and substantiate claims against the Company; and

(iii) the chair of the board and chair of the audit committee met with representatives of each of the ten signatories of the letter on an individual basis.

It is noted that following the above, no claims made in the August 2018 letter have been substantiated and the Company has received no indication from any signatory of the letter (or any other stakeholder) of dissatisfaction with the manner in which the letter has been addressed by NEPI Rockcastle.

## 2. OPERATIONS OF THE GROUP AND ITS SUBSIDIARIES

### 2.1 Differences between NEPI Rockcastle's financial reporting and major links to an established financial fraud

Viceroy's claim that NEPI Rockcastle's earnings figures are overstated is blatantly incorrect. As shown below, Viceroy compares consolidated IFRS accounts to mathematically-added (not consolidated) statutory standalone financials, thereby ignoring both the differences between IFRS and Romanian accounting principles (Romanian GAAP) as well as basic consolidation mechanics, such as the exclusion of intra-Group transactions.

NEPI Rockcastle prepares its consolidated financial statements in accordance with IFRS, showing the position and the transactions of the Group with non-related parties and excluding any intra-group balances and transactions. The information from local filings in the Report appears to have been extracted from statutory standalone financial statements submitted by the Group's Romanian property holding subsidiaries ("**SPVs**") to local authorities, which were prepared based on Romanian GAAP, as required in terms of Romanian law. The main differences between IFRS and Romanian GAAP applicable to NEPI Rockcastle and relevant for this comparison are:

| Accounting item | Romanian GAAP standalone financial statements, prepared in local currency (RON) | IFRS consolidated financial statements, prepared in reporting currency (EUR) |
|---|---|---|
| Valuation of investment property | Valuation gains are recorded directly in the equity reserves.<br><br>Valuation losses are accounted for as part of the equity up to the cost of the property. Once fair value decreases below cost, further impairment is recognised in the Income Statement. Any subsequent recoveries of the loss are recognised in the Income Statement up to cost price, with further surpluses recorded directly in equity.<br><br>Valuations are not mandatory unless there is significant change in market value and should be performed at least every 3 years. However, adhering to best practices, the Group policy is to perform more regular valuations of its Romanian properties. | Valuation gains and losses are recorded exclusively in the Income Statement.<br>Valuations are done semi-annually, for all income-producing properties and land. |
| Depreciation of properties | Investment property is depreciated over its useful life, set in accordance with statutory rules. | The fair value model (IAS 40) is used, which prohibits the depreciation of assets. There is no impact from depreciation on the Income Statement. |
| Investment property capitalised interest | Interest related to funding development costs is capitalised at the rate that the relevant SPV obtains funding, subject to compliance with specific legal requirements. | Interest related to funding development costs is capitalised at the average Group cost of debt. |
| Intra-Group transactions | Intra-Group transactions are included in standalone financial statements. | Intra-Group transactions are excluded on consolidation. |
| Foreign exchange differences | All loans payable by the SPVs are denominated in EUR, which can generate significant unrealised foreign exchange differences versus RON.<br>These are recognised in the Income Statement (as revenue or an expense, depending on the nature of the fluctuation in exchange rates) | The functional and reporting currency of the group is EUR, therefore no foreign exchange differences arise from revaluation of EUR loans to local currencies. |

| | | |
|---|---|---|
| Business combinations | Not applicable for standalone reporting purposes, as from the SPVs perspective there is no change in accounting if its shareholders change. | Newly acquired SPVs are accounted for only starting from the date the Group acquired the respective entity. Also, the SPVs' equity is netted off in the consolidation process against the participation held by the holding entity, irrespective of the jurisdiction where the parent is located. |
| Deferred tax | Deferred tax expense is not recognised. | Deferred tax must be recognised and disclosed. |
| Accounting for joint ventures | Statutory accounting takes into consideration 100% of the balances and transactions of all entities, irrespective of the percentage held by each of its shareholders. | Joint ventures are accounted for using the equity method, by cumulating the percentage of the balances and transactions corresponding to the percentage of the venture held by the Company in 'Investment in joint ventures', 'Long-term loans granted to joint ventures' and 'Profit from joint ventures'. |
| Interest rate derivatives (hedging) | Premiums paid for cap derivatives are amortised over the period of the contract. | Cap instruments are recognised at fair value through Income Statement, without amortising the premium paid. |

The reconciliation of profit before tax for the Group's Romanian portfolio, from the aggregated stand alone financials to IFRS consolidated financial statements for the year ended 31 December 2017, is presented below:

| | **€million** |
|---|---|
| Statutory loss before tax in Romanian subsidiaries, excluding joint ventures | **(56.1)** |
| Add fair value gains from valuation of investment property (recognised in the Statement of Comprehensive Income for IFRS; recognised as equity reserves in Romanian GAAP) | **133.0** |
| Exclude effect of intra-Group transactions (mainly finance expenses) | **119.8** |
| Exclude effect of depreciation expense (only recognised in Romanian GAAP) | **45.6** |
| Exclude exchange rate differences (recognised for Romanian GAAP purposes; irrelevant for IFRS as EUR is the functional currency) | **38.3** |
| Other accounting treatment differences | **4.3** |
| **IFRS consolidated profit before tax** | **284.9** |

### 2.2 Allegation regarding taxes reported at the Group level versus local Romanian subsidiaries

The allegations set out in the Report regarding taxes reported at the Group level versus local Romanian subsidiaries is misleading and disregards the presentation in the Group's 2017 IFRS consolidated financial statements of two line items: Current Income Tax expense of €1.67 million and Deferred Income Tax of €35 million. This information is further detailed and disclosed separately at the level of each jurisdiction, including Romania, on page 168 of NEPI Rockcastle's 2017 Annual Report available at https://nepirockcastle.com/wp-content/uploads/2018/03/NEPI-Rockcastle_Annual-Report_2017_online.pdf (the "**2017 Annual Report**").

Romanian GAAP requires only the recognition of the current tax expense. Therefore, deferred tax is recognised only in the Group's IFRS consolidated financial statements (according to IAS 12 "*Income Taxes*") and it is computed as the net of:

- deferred tax assets, arising from fiscal losses carried forward; and
- deferred tax liabilities, resulting mostly from differences between the fiscal base (i.e. historical cost of the properties diminished by tax depreciation) and the accounting base (IFRS fair value) of the investment property.

Fiscal losses accumulate during the construction period of a development (including extensions and refurbishments) and can be used for up to seven years after the property becomes income-producing. The taxes reported and paid by the Group in Romania are correctly computed in accordance with the local tax legislation and transfer pricing regulations.

### 2.3 Allegations on inconsistencies relating to analysed income-generating subsidiaries in Romania

Page 6 of the Report contains notably incomplete and erroneous statements, which do not correctly match the schedule of properties and the SPVs owning each property.

- The Office Cluj Napoca should have been excluded from IFRS numbers, as joint ventures are accounted for using the equity method.
- Shopping City Galati is presented twice, with two different sets of values. The Company has reviewed this information and concluded that the revenues/expenses/profits stated for the first appearance of Shopping City Galati correspond to Ploiesti Shopping City. Ploiesti Shopping City is also a joint venture, accounted for using the equity method under IFRS and therefore should not be included in this reconciliation.
- Shopping City Sibiu is presented twice, however the first set of data corresponds to Targu Jiu Shopping City. The buildings and land that form Shopping City Sibiu are indeed owned by two SPVs, only one of which is presented in the analysis on page 6 of the Report (Sibiu Shopping City 2 SRL, former Bel Rom Trei SRL, is missing).
- The figures presented in the Report for Regional Strip Centres in fact correspond to the revenues generated by Vulcan Value Centre. the SPVs which form the "Regional Strip Centres" are not included in the analysis;
- City Business Centre, which is a five building office complex, is partially presented by including only one SPV, Timisoara City Business Centre One, which owns only two of the five buildings. The other two SPVs, Timisoara Office Building (which owns one building) and Modatim Business Facility (which owns two buildings) are missing from the analysis.
- City Park Constanta is held via two SPVs, City Park Constanta and Constanta Shopping City. Only one entity has been included in the Report.

### 2.4 Allegation on auditor spread

PricewaterhouseCoopers ("**PwC**") is the Group auditor and reports directly to the Company's Audit Committee. As detailed in the audit opinion included in the 2017 Annual Report, PwC has confirmed their independence, has continuous unrestricted access to communication within the Group, and has complied with all International Standards of Auditing (ISAs), PwC internal controls and best practices in providing its services.

The audit report on the Group's consolidated financial statements is issued by PwC Isle of Man, after having reviewed the work of the PwC offices in the jurisdictions where the Group operates. This local audit work is required on account of the various jurisdictions have differing accounting and tax rules, as well as being subject to other regulations that impact their activity.

PwC performs over 15 000 hours of review and audit work annually on NEPI Rockcastle. The local PwC offices audit the standalone IFRS financial statements of the SPVs, for the purpose of issuing an audit report on the consolidated IFRS accounts. They also perform statutory audits for some SPVs where it is required by local legislation, which criteria is usually based on size (assets, revenues and number of employees).

All 10 entities in Romania under full control of the Group (100% shareholding) for which statutory audit was required in 2017 have been audited by PwC Romania. The joint ventures' auditors (PwC Romania and KPMG Romania) have been selected together with the joint venture partners.

### 2.5 Allegation on 'ballooning' receivables balance

In its allegation of NEPI Rockcastle "ballooning" its receivables balance, Viceroy has again mixed concepts of IFRS consolidation and statutory accounts aggregation. The Report highlights the outstanding receivables days as over 81, which has been incorrectly determined by including:

- Romanian GAAP Revenues, which include intra-Group transactions and unrealised foreign exchange gains which should be excluded for IFRS consolidation purposes (as further detailed in 2.1 above);
- Romanian GAAP receivable balances, which include intra-Group balances; and
- an incorrect assumption that fair value differences (which have been incorrectly estimated) should be deducted from total Romanian GAAP revenues.

The 2017 Annual Report includes a comprehensive analysis of NEPI Rockcastle's third-party receivable balances in note 6.1 to the financial statements (*Credit Risk*). The analysis clearly shows that a majority of receivables were not due in 2017 (€26.6 million of the total tenant receivables of €34 million). Based on the 2017 financial statements, the Group collects its receivables in approximately 29 days. The computation of the 99.9% collection rate is based on the amount of €103 000 which was considered unrecoverable in respect of revenues for 2017 (€337 million).

It is not clear how Viceroy has determined the Ramnicu Valcea Shopping City's 1 800 receivable days. As at 31 December 2017, the mall had been open for 24 days, had receivable balances of €120 000 and revenues for the period of €800 000.

The Group has strict collection procedures and this process is proactively managed. The Company's asset management team closely monitors tenants and their effort rates, so as to prevent tenants' defaulting. All provisions are assessed individually and are regularly followed up.

### 2.6 Other allegations included in the Report

There is numerous other erroneous information included in the Report, which relies on several assumptions and principles with little regard to fact.

| Page | Allegation | NEPI Rockcastle comment |
|---|---|---|
| 7 | Local balance sheets do not reconcile (assets do not equal the sum of liabilities and equity) | This is technically impossible, as the Romanian authorities require filing to be done electronically and the financial statements would not have been validated and accepted by the authorities if unbalanced. |
| 9, 13 | Assumed that fair valuation gains as per the consolidated IFRS accounts is proportionate to the percentage of the assets in a certain country | Each asset is valued semi-annually, and valuations are based on property and market factors, not on the percentage represented by that asset in the total portfolio. |

| | | |
|---|---|---|
| 9 | Assumed that the Romanian accounting standards treatment of property revaluations should be IFRS compliant, and expected that valuation differences are recognised as Other Comprehensive Income | As explained above, Romanian GAAP requires recognition of property valuation differences mainly to equity reserves |

## 3. THE ROCKCASTLE ACQUISITION

The Report includes a calculation that indicates that Rockcastle was acquired by NEPI at a 62% premium to book value and a 78.2% premium after adjusting listed investments. Viceroy makes no mention of the fact that NEPI's share price also traded at a significant premium to book value, which is unpacked further below.

The table below sets out the Company's calculated market price premium to net tangible asset value and investment property for both NEPI and Rockcastle as at 12 May 2017, the day subsequent to the combined NEPI and Rockcastle announcement of a revised swap ratio of one NEPI share for every 4.7 Rockcastle shares. Based on ruling market prices, NEPI had a higher price percentage premium to net tangible asset value ("**NTAV")** of 97.1% as opposed to Rockcastle's premium to NTAV of 56.0%. If the premium is allocated to investment property only (excluding all other statement of financial position balances including listed investments), the premia are very similar at 66.9% for NEPI and 67.8% for Rockcastle.

The acquisition was a merger of NEPI and Rockcastle using the respective company's shares as currency to acquire shares in NEPI Rockcastle with reference to an agreed share swap ratio. Full details of the merger transaction are set out in the circulars (and NEPI Rockcastle prospectus) issued to NEPI and Rockcastle shareholders on 9 June 2017.

| | **NEPI** | | | **Rockcastle** | | |
|---|---|---|---|---|---|---|
| | **Note** | | | **Note** | | |
| Investment property | 1a | EUR 000 | 2 546 772 | 1b | USD 000 | 1 264 596 |
| Net asset value (NAV) | 2 | EUR 000 | 1 814 552 | 2 | USD 000 | 1 556 638 |
| Intangible assets | 3 | EUR 000 | 58 390 | 3 | USD 000 | 24 774 |
| Net tangible asset value (NTAV) | 4 | EUR 000 | 1 756 162 | 4 | USD 000 | 1 531 864 |
| Shares in issue | 5 | | 321 479 204 | 5 | | 945 502 019 |
| NAV/share | 6 | EUR | 5.64 | 6 | USD | 1.65 |
| NTAV/share | 7 | EUR | 5.46 | 7 | USD | 1.62 |
| Investment property per share | 8 | EUR | 7.92 | 8 | USD | 1.34 |
| Price per share | 9 | EUR | 10.76 | 9 | USD | 2.53 |
| Price/book (NTAV/share) | 10 | | 1.97 | 10 | | 1.56 |
| Price premium to NTAV per share | 11 | EUR | 5.30 | 11 | USD | 0.91 |
| Price % premium to NTAV per share | 12 | | 97.1% | 12 | | 56.0% |
| Price premium to investment property per share | 13 | | 66.9% | 13 | | 67.8% |

**Notes:**

1. Comprises:
    a. investment property, extracted from NEPI's audited annual financial statements for the year ended 31 December 2016
    b. investment property, straight-lining of rental revenue adjustment and investment property under development, extracted from Rockcastle's audited financial statements for the 18 months ended 31 December 2016
2. Comprises:
    a. equity attributable to equity holders, extracted from NEPI's audited annual financial statements for the year ended 31 December 2016

   b. total equity attributable to equity holders, extracted from Rockcastle's audited financial statements for the 18 months ended 31 December 2016
3. Comprises:
   a. goodwill, extracted from NEPI's audited annual financial statements for the year ended 31 December 2016
   b. intangible asset and goodwill, extracted from Rockcastle's audited financial statements for the 18 months ended 31 December 2016
4. Calculated as NAV less intangible assets
5. Comprises:
   a. the number of shares for NAV per share purposes, extracted from NEPI's audited annual financial statements for the year ended 31 December 2016
   b. the number of shares for NAV per share purposes, extracted from Rockcastle's audited financial statements for the 18 months ended 31 December 2016
6. Calculated as NAV divided by shares in issue multiplied by 1,000
7. Calculated as NTAV divided by shares in issue multiplied by 1,000
8. Calculated as investment property in EUR divided by shares in issue
9. Closing NEPI share price on the JSE in ZAR on 12 May 2017 translated at the applicable exchange rate. A revised swap ratio of one NEPI share for every 4.7 Rockcastle shares was released on 11 May 2017
10. Calculated as NTAV per share divided by price per share
11. Calculated as price per share minus NTAV/share
12. Calculated as price premium to NTAV per share divided by NTAV per share
13. Calculated as price premium to NTAV per share divided by investment property per share

As mentioned above, all disclosures made in such documents were in line with all applicable regulatory requirements, including details of shareholders with beneficial interest of 5% or more in each of NEPI, Rockcastle and NEPI Rockcastle (assuming implementation of the merger), which included Fortress REIT Limited, Resilient REIT Limited and the Public Investment Corporation. The prospectus also included disclosure of directors' interests in NEPI Rockcastle shares.

The share swap ratio utilized in the merger was calculated based on factors including the market price of the shares involved in the merger (NEPI and Rockcastle) and valuations undertaken by reputable advisors. Moreover, the Company notes that the merger (including by implication the share swap ratio) was reviewed and approved by (i) 87.47% of NEPI shareholders voting(representing 84.30% of the total number of NEPI shares that could have been voted at the general meeting) (see https://nepirockcastle.com/wp-content/uploads/2018/10/en-2017-07-06.pdf) and by 99.9% of Rockcastle shareholders voting (representing 85.2% of the total number of Rockcastle shares that could have been voted at the general meeting) (see https://nepirockcastle.com/wp-content/uploads/2018/10/en-2017-07-03.pdf). -

From an IFRS 3 perspective, the merger between NEPI and Rockcastle was treated as an acquisition by NEPI of Rockcastle, with the goodwill generated as the difference between the actual value of the Rockcastle group (total equity at June 2017 – €1.44 billion) and the consideration paid to acquire the business, which was based on NEPI's trading share price at the date of the merger (€2.32 billion). At the time of the merger, NEPI and Rockcastle shares were trading on the JSE at a premium to net asset value, therefore generating a gap of €0.88 billion between the value of NEPI Rockcastle shares issued and Rockcastle's net asset value. The accounting of this transaction would have increased the balance sheet by the generated goodwill of €0.88 billion, and the NEPI Rockcastle Group would have had a significant difference between its net asset value and adjusted net asset value. In accordance with IFRS 3 – Business Combinations, the acquirer (NEPI) has the ability to fair value its acquisition and adjust the goodwill recorded for a period of one year from the date of combination. This fair valuation took place at 31 December 2017.

The write-off of goodwill in NEPI Rockcastle's financial statements subsequent to the merger is consistent with the accounting treatment adopted and disclosed in NEPI Rockcastle's prospectus issued on 9 June 2017. The consolidated pro forma financial information is set out in Annexure 18 of the prospectus. Note 9 to the pro forma consolidated statement of financial position states: "*According to NEPI Rockcastle's accounting* *policy, goodwill is measured at cost less any accumulated impairment losses and goodwill is tested annually for impairment. Goodwill arising from the transaction is expected to be impaired and an impairment of EUR739.38 million is recognised. The additional goodwill arising from the merger transaction of EUR739.38 million is assumed to represent the future potential increase in fair value of the acquired portfolio of properties but is not expected to be recoverable through the sale of the assets and liabilities as the assets and liabilities are measured at fair value in the financial statements of NEPI Rockcastle. NEPI Rockcastle expects, subsequent to the goodwill impairment through profit and loss, to transfer the loss arising from the goodwill impairment to share premium, off-setting the effect of the impairment charge within accumulated profit*." The Group notes that such an accounting treatment represents market practice, as it has also been applied in the Unibail – Rodamco merger (€1.3 billion) as well as the Klepierre – Corio merger (€704.5 million).

Furthermore, we find the reference to the 36One report irrelevant, as NEPI Rockcastle does not have cross-shareholdings with Resilient, Fortress or other shareholders.

As regards the allegations of enriching management, the current executive directors of NEPI Rockcastle had less than 0.5% of NEPI before the merger, and less afterwards, as further detailed in the relevant disclosures made in the merger documentation and thereafter in the 2017 Annual Report.

The Company also notes that NEPI and Rockcastle's respective boards were independent of each other and that the companies negotiated and contracted the merger at arm's length.

## 4. ACCUSATIONS OF IMPLICATIONS WITH PEREGRINE FINANCIAL & CEEIF

The Report misleadingly alleges the existence of fraudulent behaviour by NEPI related to its acquisition of assets from a party indirectly related to Mr. Dan Pascariu (the chairman of NEPI at the time, and former chairman of NEPI Rockcastle). In this regard, shareholders are advised as follows:

- Mr. Dan Pascariu was appointed as a director of NEPI on 28 November 2007.
- The initial announcement on future acquisitions of General Investments and General Building Management (Raiffeisen Office portfolio) was issued on 11 February 2008 (see https://nepirockcastle.com/further-investment-2/ (the "**Raiffeisen Announcement**"),
- The rationale of the transaction was that it provided NEPI country-wide coverage with a portfolio mainly occupied by an A-grade tenant with a long leases, ensuring an income producing asset base for the Company.
- The Raiffeisen Announcement states the following: *The vendor of the companies is Central Eastern European Real Estate Shareholdings BV, part of the Avrig 35 Group ("**Avrig**"). Avrig is also a 20% shareholder in the Company's investment advisor and one of Avrig's directors is also a director of the Company's investment advisor.* ***Only the independent directors of the Company's investment advisor advised the Company on the transaction. Dan Pascariu, one of the Company's directors, is also a minority shareholder in Avrig 35. Mr Pascariu did not participate in the board discussions on the transaction and abstained from voting on the transaction.****"*

- Proper disclosure of the transaction was in place, as well as in respect of the following related transactions:
  - **2009** - https://nepirockcastle.com/wp-content/uploads/2017/08/nepi-annual-report-2009.pdf;
  - **2010** - http://nepirockcastle.com/wp-content/uploads/2017/08/nepi-annual-report-2010.pdf;
  - **2011** - https://nepirockcastle.com/wp-content/uploads/2017/08/nepi-annual-report-2011.pdf;
  - **2012** - https://nepirockcastle.com/wp-content/uploads/2017/08/nepi-annual-report-2012.pdf

## 5. RESIGNATION OF MR. DAN PASCARIU

Mr. Dan Pascariu was the chairman of the board of NEPI and NEPI Rockcastle for a period of nine years. His resignation from the board and as chairman of NEPI Rockcastle was a personal decision, during a year in which the board had already undergone several changes.

## 6. STATEMENT THAT THE COMPANY IS "FUNDAMENTALLY OVERPRICED"

The Company or its board is not in the position to comment on the adequacy of the share price. Nevertheless, the Company highlights that the section of the Report relating to the pricing of the Company's shares incorrectly states that NEPI Rockcastle's most recent reported EPRA NAV was €6.8 per share, as opposed to the correct €7.14 per share, as at 30 June 2018.

It appears that Viceroy has used EPRA (adjusted) NAV for most peers, except for NEPI Rockcastle, and that the indicators used in the comparison are aimed at deception.

The Report's allegations relating to cash generation are also misleading, as operating cash flows (as presented in the Group's consolidated cash flow statement) are correlated with the distributable earnings for 2017 and 2018. In addition, all distributions during 2018 have been fully paid out to shareholders in cash.

## 7. ALLEGATION IN THE FOLLOW-UP STATEMENT ISSUED BY VICEROY ON 28 NOVEMBER 2018

NEPI Rockcastle updates the valuation of its property portfolio twice a year, with fair value being determined by external, independent professional valuers with appropriate and recognised qualifications, and experience in the locations of properties being valued. All valuers are members of the Royal Institute of Chartered Surveyors and apply global valuation standards required by the profession. These standards require, for example, that all properties are physically inspected on an annual basis.

The 2016 report issued by Cushman & Wakefield and referred to by Viceroy in the Report does not include any reservations or qualifications. The valuations were made under the assumption of best use of the properties, in the context of the market. In this respect, the valuers used assumptions based on factors such as market context, age of the asset and location. They may require a management assessment of specific variables, but in most cases the valuers rely on self-assessments. The enquiries made by Cushman & Wakefield were appropriate and sufficient given the purpose of the valuation. The individual valuation reports were also reviewed by PwC, the Group's auditors.