Muddy Waters, LLC
www.muddywatersresearch.com
info@muddywatersresearch

Director of Research: Carson C. Block, Esq.

Use of Muddy Waters reports is limited by the Terms of Service on its website, which are as follows. To be authorized to access such reports, you must agree to these terms, regardless of whether you have downloaded its reports directly from this website or someone else has supplied the report to you without authorization from Muddy Waters.

Muddy Waters, LLC
www.muddywatersresearch.com
info@muddywatersresearch.com
April 9, 2015

Company: Noble Group Ltd (NOBL:SP) **Industry**: Oil, Gas & Coal **Report Date**: April 9, 2015	**Stock Price**: SGD 0.91 **Market Cap**: SGD 6.166 Billion **Float**: 4,276 Million **Avg Volume**: 46.5 Million

Noble's Accounting: Fueling the Cash-Burning Fires

Muddy Waters is short Noble Group Limited ("Noble"). Noble seems to exist solely to borrow and burn cash. According to Bloomberg, Noble has been free cash flow positive only four out of 20 years – in other words, it literally generates positive free cash flow once every five years![1] According to Bloomberg, since 1997 Noble has raised from banks and markets net $7.7 billion. Noble's debt is now almost four billion dollars. (A recent estimate, which Noble has not contested, is that due to repo-style transactions, Noble's intra-quarter debt is approximately $3 billion greater than reported.[2])

Noble might encourage investors to exclude its working capital changes from calculations of operating and free cash flow. We think that approach would be self-serving and disingenuous. We are puzzled by why, when given a 20-year runway, this company is still unable to stop burning cash. Really, what is the point of Noble growing, if after all of this time, it still cannot consistently generate cash? We think Noble's growth is a means to no end, other than to keep the credit flowing.

Noble depends on its income statement to survive. When a company borrows and burns cash as consistently as Noble does, it needs to generate EBITDA for its lenders, and net income for its equity investors (a company's ability to issue equity is comforting to lenders). For a company such as Noble, with significant amounts of Levels 2 and 3 fair value assets and an ever-expanding balance sheet, EBITDA and net income can be relatively easy to produce. The key questions about Noble are:

- Is Noble effectively borrowing just to repay its existing debt? (In other words, if Noble stopped growing its balance sheet, would the business actually generate free cash and repay debt?)
- Is Noble in a vicious cycle whereby it will spend cash in value destroying ways in order to generate accounting gains (and keep its credit flowing)?

[1] Per Bloomberg data, which encompasses 1994 – 2014.
[2] Iceberg Research "Governance and Debt" March 21st 2015.

The reality of Noble's financial statements has recently been criticized by a supposed former employee.[3][4] Recently released details on 2014 results suggest concerning answers to the above questions. In 2014, 70% of Noble's net income came from unrealized net gains on Level 3 assets.[5] $2.1 billion of Noble's 2014 fair value gains are on contracts maturing in over four years,[6] which represents 30% of Noble's 2014 fair value gains and 41% of shareholders' equity.[7] With $4.0 billion in debt on Noble's balance sheet and funding costs that have recently been volatile, the degree of substance underlying Noble's financials is critical.[8]

We are really short Noble's management. With a company as complex and opaque as Noble, there is no way for investors to definitively answer the above questions. It becomes a question of how much investors should trust Noble's management to be straight with them. Noble's management has adamantly insisted that its accounting is conservative, and by implication, is reflective of reality. We do not believe Noble's management.

If "adversity introduces a man to himself", in the public company context, it also introduces management to investors.[9] Management's actions taken on the eve of Noble reporting its first quarterly loss since being public, give a clear view of how they operate. Through a highly questionable acquisition followed by a series of suspicious transactions, Noble reduced its first reported quarterly loss by approximately two-thirds. The reported gain was equivalent to roughly 10% of Noble's 2011 net income. In this report, we present the details of these transactions. After amassing this information, the truly disturbing aspect of Noble is that it has over 12,000 contracts – i.e., a lot of opportunities to do similar things again, and again.

Third party behavioral analysis strongly supports our opinion of Noble management. Muddy Waters engaged Qverity to analyze management's statements on the February 26th Q4 2014 results call for deception. (The call is the only time Noble management has spoken extemporaneously in public about the recent criticism.) Qverity provides behavioral analysis, and is founded and staffed by former United States Central Intelligence Agency experts in detecting deception. Its principals authored the books "Spy the Lie" and "Get the Truth". We have included the Qverity analysis in this report. Qverity's opinion is that Noble management has been deceptive in addressing the criticism.

PT ALH – a Transaction Generating a $46.4 million Gain and a Need to Shower

---

[3] Noble March 5th "Message from the CEO" SGX announcement p.10
[4] The firm leveling the criticism, Iceberg Research, has had no involvement in, or advance knowledge of, this report. By the same token, Muddy Waters has had no involvement in, or advance knowledge of, its reports.
[5] Noble 2014 AR p.142
[6] Noble 2014 AR p.139.
[7] Based on shareholder equity value provided in Noble 2014 AR p.62.
[8] Noble 5 year CDS 2/18/2015 – 4/2/2015 Source: Bloomberg data
[9] Quotation widely attributed to Albert Einstein.

On November 9, 2011, Noble reported its first quarterly loss as a public company. The following series of transactions – undertaken at this time of financial stress – seem not to be bona fide business transactions. Rather, they appear designed to generate substance-less accounting profits, and then to purge the evidence. The most incredible aspect is that to accept these transactions at face value, one has to believe Noble's attorneys lost $12 million of their own money as Noble's counterparty. (Talk about pro bono.)

When Noble purchased PT Alhasanie ("PT ALH) in Q3 2011, Noble booked a gain from negative goodwill that reduced its quarterly loss by approximately two-thirds.[10] The most remarkable aspect of the $46.4 million negative goodwill gain Noble booked on PT ALH was that Noble paid only $300,000 for the company. In other words, Noble claimed to have bought a company worth $46.7 million for only $300,000 – i.e., Noble found someone willing to sell this gem for 0.6% of its true value.

The February 25th 2015 Iceberg Research report highlighted PT ALH as an example of a potentially abusive transaction.[11] Noble has failed to respond to this criticism.[12] When we scratched the surface of transaction, we found numerous red flags and aggressive actions by Noble.

When the dealing in PT ALH was finished in April 2013, both Noble and one of its affiliates, PT Atlas Resources Tbk ("PT Atlas"), had taken fair value gains from buying PT ALH. Disturbingly, Noble appears to have neither bought from, nor sold to, arms-length parties. Our interpretation of these transactions is that there was a premeditated scheme to convey PT ALH to PT Atlas, generate unjustified and substance-less accounting gains for Noble along the way, and then ultimately purge the company of the evidence. If our understanding of these facts is correct, it goes directly to the question of whether management is willing to manipulate investors and ratings agencies.

Noble is initially uncomfortable discussing PT ALH.

It would have been hard for investors to initially spot the red flags surrounding the massive gain from negative goodwill. When Noble released its Q3 2011 financials, management misled investors into thinking that the gain arose from multiple sources.

> **"<Q – Mervin Song [DBS]>**: Two questions…And the other thing I need clarification on is just the $46 million in relation to the excess over the cost of business combination. Can you give us some color in terms of how that arose? Thanks.
>
> …
>
> **<A – Robert van der Zalm [Noble CFO]>**:…Oh, yes, with regard to the second part of your question, the $46 million, that was relating to a number of

[10] Based on reported 3Q 2011 loss of US$17.9m, Source: SGX release 9th November 2011
[11] Iceberg Research "Fair values and Operating Cash Flows" February 25th 2015. p.12
[12] Based on text and media search of all available public rebuttals of Iceberg from Noble.

> reorganizations we were going through in Indonesia relating to some of our mining activities."[13] (emphasis added)

Mr. van der Zalm appears to be doing backflips to avoid admitting that the $46.4 million gain arose solely from negative goodwill Noble booked on the PT ALH acquisition. We wonder what questions management would have received had it announced this fact at the time, coupled with PT ALH having pre-acquisition negative book value of ($5.5 million), negative net tangible assets of ($6.2 million), and was purchased for only $300,000.[14] Instead, management was able to defer disclosure of these uncomfortable facts until it buried them in note 16 on page 131 of the 2011 annual report, released over three months later.

[13] Bloomberg final transcript, Q3 2011 Earnings Call, November 9th 2011.
[14] Noble "Non-material acquisitions and disposal" release, 26th March 2012

Noble transfers the questionable fair value gain to an off take agreement.

Noble reported selling PT ALH one year later (in either September or November 2012 – Noble seems confused and has disclosed both dates). The consideration Noble reported receiving for selling PT ALH was only $4.0 million.[15]

Noble justified receiving consideration significantly less than PT ALH's (massively fair valued upward) carrying value by disclosing that prior to sale, PT ALH restructured an off take agreement with one of Noble's subsidiaries. Largely as a result of restructuring the off take agreement, Noble reported that within one year, the net value of PT ALH's assets had declined (versus the post-negative goodwill adjustment) to $2.1 million.[16] Therefore, Noble likely valued the restructured off take agreement with PT ALH at between $31 million to $38 million.[17]

Noble defends its MTM assumptions on off take agreements as "conservative".[18] But we are very curious why an arms-length seller would sell for $300,000 a mine that could execute an off take agreement worth to the counter-party approximately $31 million to $38 million.

We speculate that the real purpose of the restructured off take agreement was to avoid Noble taking a massive impairment charge when it disposed of PT ALH. (We believe that a true arms length buyer would never have paid anything close to Noble's carrying value.) Another concern we have is that the off take restructuring might have juiced 2012 EBITDA by transferring below the line 2011 profit to an above the line account in 2012.[19]

Noble Triple Dips on PT ALH

When Noble sold PT ALH for a purported $4.0 million, Noble took an additional fair value gain of $1.9 million.[20] While the amount of the second "dip" is immaterial, by taking a fair value gain on the sale, Noble is telling us that it sold the mine for more than it was worth.

Noble accomplished its triple dip when its affiliate, PT Atlas Resources Ptk ("PT Atlas"), ended up buying PT ALH just a few months after Noble sold it – in February 2013. PT Atlas agreed to pay the same price Noble received when it sold PT ALH: purportedly

[15] Noble 2013 AR, p.126.
[16] Noble 2012 AR, p. 120.
[17] The off take agreement valuation is based on carrying value of $46.4 million as of 9/30/2011 and carrying value of no more than $38.6 million as of 9/30/2012. We can see from the 2Q 3Q 2012 and Q3 2013 quarterly filings amortization of the mine properties of PT ALH to be less than $2m per quarter during the period therefore, amortization would total no more than $8 million. The residual value of mine properties of $7.06 million would suggest that the off take agreement was valued at a minimum of $31 million and a maximum of $38 million.
[18] See March 5th "Message from the CEO" SGX announcement p.7
[19] "The line" is the operating income line.
[20] Noble 2012 AR, p. 119

$4.0 million.[21] Surprisingly, PT Atlas booked a fair value gain on the acquisition of $6.1 million. Thus, when Noble sold PT ALH for $4.0 million, it effectively claims to have sold the company for about twice what it was worth. However, when PT Atlas bought the company a few months later, $4.0 million was 60% less than PT ALH's fair value at the time.

The $6.1 million fair value gain reduced PT Atlas's 2013 net loss by 36%.[22] The relationship between PT Atlas and Noble appears complex – Noble owns 10% of PT Atlas; Noble's President, Will Randall, is on PT Atlas's board of commissioners; and, Noble has an off take agreement with PT Atlas.[23] [24] [25] We are unsure what benefit Noble would have received by abetting what seems to be questionable accounting treatment by PT Atlas; but, little about this series of transactions seems above board.

Based on both Noble and PT Atlas taking accounting gains, these transactions appear to have been win-win. However, there is more to the picture. In order for PT Atlas to book the negative goodwill on PT ALH, the seller (i.e., the party that bought from Noble) needed to pay compensation PT Atlas of an additional $12.0 million cash.

PT Atlas's 2103 annual report states:

> "Based on Shares Sale and Purchase Agreement, the previous owner ensures that the aggregate value of coal in stockpile and cash is US$ 5,600 and no liability in ALH financial statements as of April 30, 2013. Because of variance between ALH financial position and such agreement, the previous owner has to give US$ 12,007 to OPE."[26,27]

The unfortunate seller, who purportedly ended up parting with PT ALH and a net $12.0 million, was a company called PT Dayana Lestari ("PT Dayana"). PT Dayana was 90.9% owned by Ms. Hetty Tumondo and 9.1% by Mr. Adiwidya Imam Rahayu. Both Ms. Tumondo and Mr. Rahayu are attorneys at the Indonesian law firm Brigitta I. Rahayoe & Partners. The name partner of said firm is Ms. Brigitta Hadianto Imam Rahayoe. Ms. Rahayoe is also the mother of PT Dayana shareholder Mr. Rahayu. Ms. Rahayoe herself was the controlling shareholder of PT Dayana until October 2012, at which point she transferred her shares to her subordinate, Ms. Tumondo.

Investigators we hired in Indonesia spoke with multiple sources who believe it is likely Rahayoe & Partners represented Noble in the PT ALH transactions, and possibly other work. (We have not obtained our own corroboration of this point.) Regardless, Ms. Rahayoe, Ms. Tumondo, and Mr. Rahayu each served as nominee shareholders of PT ALH and its holding company PT Borneo Sejahtera Mulya ("PT BSM") during the

---

[21] Noble November 23rd "Notification on subsidiary" SGX announcement.
[22] Assumes PT Atlas's negative goodwill was not taxed.
[23] Noble 2014 AR, p.113
[24] PT Atlas 2013 AR, p.9
[25] Noble 2014 AR, p.148
[26] Dollar amounts are in thousands.
[27] PT Atlas 2013 AR, p.46.

periods in which Noble owned the companies.[28] This fact implies a business relationship between Noble and Ms. Rahayoe's law firm.

Moreover, Ms. Rahayoe was one of two directors of PT BSM from 2008 until Noble bought it and PT ALH. (PT ALH had been a subsidiary of PT BSM since 2008.) Given the pervasive role Ms. Rahayoe and her firm played in these various transactions, the initial PT ALH purchase is suspicious. It is definitely difficult to regard it as arms-length.

Regardless, if we are to take both Noble and PT Atlas's disclosures at face value, then Ms. Tumondo and / or Ms. Rahayoe in September 2012 paid Noble consideration for PT ALH of $4.0 million. Then, Ms. Tumondo and / or Ms. Rahayoe received $4.0 million in 2013, but had to return that money along with an additional $8.0 million the same year. That would mean that the attorneys Ms. Tumondo and / or Ms. Rahayoe lost $12.0 million transacting with Noble and PT Atlas.

We highly doubt that Ms. Rahayoe, her firm, or Ms. Tumondo ever paid Noble $4.0 million, and we completely dismiss the possibility that any of them additionally paid PT Atlas $8.0 million. These purported consideration amounts seem to be little more than accounting entries to a) justify these transactions, and b) produce more substance-less accounting profit.

Tying Up Loose Ends – Disposing of PT BSM

When Noble bought PT ALH, it did so by acquiring PT BSM. PT BSM owned PT ALH. When Noble transferred PT ALH to Ms. Rahayoe / Tumondo's company, PT Dayana, it transferred PT ALH directly – i.e., without also transferring PT BSM. Thus, PT BSM was left to smolder on Noble's balance sheet a little while longer.

Noble announced that PT BSM issued 15,125,779 new shares, which constituted 55% of equity, to PT Jatro Indonesia on January 20, 2014.[29] Noble claims that PT Jatro paid $28 million for this stake. There are some problems with this disclosure. First, the amendment to PT BSM's articles of association effecting the issuance to PT Jatro was not even notarized until April 3, 2014. However, something different happened in January though – it's a bit of a head scratcher.

On January 24, 2014, the Indonesian government approved the AOA amendment transferring 100% of PT BSM to a company called PT Andhika Raya Semesta ("PT ARS"). (The AOA amendment had been notarized in December 2013.) PT ARS was formed on May 27, 2011.[30] This is the exact same date that PT Dayana was formed (PT Dayana is the straw party that "bought" PT ALH from Noble and "sold" it to PT Atlas).

---

[28] Indonesian law requires at least two shareholders, so it is therefore common to have a nominee shareholder who owns one share.
[29] Noble January 20th 2014 "Notification on Subsidiary" SGX announcement.
[30] As evidenced by notarization of the corporate records. Its formation was approved on August 10, 2011.

Moreover, Hetty Tumondo owns 50 shares of PT ARS (90.1%), and Ms. Rahayoe's son owns 9.09%. This shareholding structure is identical in every respect to that of PT Dayana.[31] Because PT Dayana seems to have been conceived for purposes of being a straw party, it is reasonable to conclude that PT ARS and the disposal of PT BSM were part of the same plan.

While PT Jatro did eventually receive 55% of PT BSM, the remaining 45% is still owned by PT ARS. However, the shareholders of PT ARS have not changed – they are still Ms. Tumondo and Ms. Rayahoe's son. At the time of Noble's January 20, 2014 announcement, Noble referred to PT BSM as its "ultimately beneficially wholly-owned and controlled subsidiary", which implies that Noble could have had a "variable interest entity"-type structure in place with PT ARS. ("VIE" structures seek to transfer economic benefit and control to parties other than the actual equity owners.)

We cannot understand the justification for a VIE-type of structure in this instance. Noble seems to have had no legal problem owning 100% of PT BSM previously. We suspect that imposing this layer that Noble does not actually own somehow serves to further the chain of likely sham transactions. This is particularly true, given that Noble claims $28 million changed hands. To whom did the $28 million go, if to anybody at all?

Conclusion

PT ALH shows that Noble management manipulates financials and investors when the pressure is on. The problem for investors is that given how prodigiously Noble chews up cash, the pressure is always on. PT ALH seems to be a premeditated chain of sham transactions that not only unjustifiably pumped up net income by $46.4 million (and possibly EBITDA the next year), but requires investors to believe that in order to facilitate the transactions, Noble's attorneys went out of pocket $12 million. And of course there is the question of whether Noble really owns a share of PT BSM, and did anybody receive the $28 million purportedly paid for the majority share?

Noble responded to criticism of its fair value practices and calls for transparency into them by stating it has over 12,000 agreements, which it marks to market using conservative assumptions. The implication of this statement is that the average net fair value gain per contract in its portfolio is small, and Noble's accounting is thus reasonable. However, PT ALH shows us that one contract can significantly move the needle. Management has therefore failed to adequately respond to the criticism, which we strongly suspect is because transparency could negatively impact Noble's credit rating.

[31] Until October 2012, Ms. Tumondo's shares were owned by Ms. Rahayoe.

Analysis of Noble Group Q4 2014 Call

Summary: On the basis of select commentary by Noble Group management and the associated deceptive behavior identified below, we have concluded it is highly likely that one or more of the allegations made in the Iceberg report are true. The area of greatest concern appears to be Noble's write-down of Yancoal, and the accounting assumptions on which the write-down is based.

> **In our view**, these assumptions are sufficiently conservative to ensure there is **little** downside risk from further deterioration in market conditions. The suggestion that we should use a spot price that has an 8% free float and trades A$10,000 a day as a fair representation of the market value **is, at best, naive.**

Analysis: The CEO's qualified statements, coupled with the attack on the non-attributed suggestion, indicate that Noble has some degree of uncertainty about the level of risk associated with further deteriorating market conditions.

> **<Q - Conrad Werner>**: Hi, there. It's Conrad calling from Macquarie. Just a couple of quick questions, please. The issue that you had with Territory Resources, which impacted the operating income from supply chains in Metals, are there any other risks like that still sitting there on the balance sheet, if you like, whether in Metals or in Energy? I mean you mentioned in Yancoal that you didn't see much incremental further write-down risk, but are there any more issues like Territory in there?
>
> And then, could you just split the fourth quarter loss from associates into how much came from Agri and how much came from Yancoal? Thank you.
>
> **<A - Yusuf Alireza>**: **Thank you, Conrad, for your question**. **So Territory is, just to clarify, is an iron ore mine in Australia. We put it on care and maintenance because of the price falls. As you know, we're an asset light firm, but that doesn't mean we don't have any assets on our balance sheet. We've gone through as part of our year-end process and reviewed in great detail the operating assets that we have on our balance sheet and have [ph] felt (35:45) we have impaired them as we did in previous quarters.**
>
> So looking at what we have, looking at the amount of exposures that we have in associates, at this point, we don't see any other issues on any of the other exposures that we have.

Analysis: Mr. Alireza begins his response with overly polite behavior, thanking the analyst and using his name. This is a form of manipulation behavior, in which a person uses politeness and familiarity to ingratiate himself with his audience. He follows this with overly specific statements about Territory, along with a reminder that Noble is an asset-light entity. This is noteworthy in that deceptive people often become overly specific in conveying detail as a persuasive strategy—they provide details about inconsequential issues as a means of giving the appearance of cooperation and openness. He then offers a non-specific denial about reviewing the balance sheet, in which he fails to specifically deny that Yancoal has no other issues. In addition, he completely ignores, for the moment, the question about differentiating the losses in the quarter for both Agri and Yancoal. Collectively, his deceptive behavior is strongly indicative of a level of concern that is higher than what has been disclosed regarding additional problems with Yancoal.

> In terms of the breakdown between Yancoal and Noble Agri, Robert, do you have those details? **<A - Robert van der Zalm>**: Noble Agri was on the balance sheet at roughly $1.4-ish billion. **<A - Yusuf Alireza>**: I think the question is in terms of the losses on associates.
>
> **<A - Robert van der Zalm>**: Losses on associates, in the year, NAL, the Noble Agri, the quarterly impact – the impact on the associate line was **just a quarterly impact about $94-ish million** and the Yancoal impact was **roughly $60 million** loss, [ph] it was all (36:47).

Analysis: Mr. Van der Zalm initially provides information that was not requested. After further prompting from Mr. Alireza, he provides only approximate figures regarding the losses. His behavior reflects concern about providing any significant detail regarding the question that was posed.

> **<Q - Yuriy Humber>**: Hi, good evening. I wanted to ask about the write-down on Yancoal. You mentioned that you have an annual process to evaluate all the write-downs. Would you be able to specify exactly when you look to have the write-downs and maybe give a little bit of more details on what kind of coal price assumptions you used for the Yancoal write-down and maybe an outlook for the coal prices with that? And was any of the write-down – was it in any way sort of connected with recent questions raised about the Yancoal valuation by Iceberg? Thank you.
>
> **<A - Yusuf Alireza>**: Sure. So just to clarify, we review all of our associates/other assets investments on our balance sheet, on a quarterly basis, but obviously, have a more detailed review on an annual basis. **In terms of your last question, there is nothing in terms of our results that was impacted in any way by any anonymous report that was released.**
>
> In terms of when the decision was made to write-down Yancoal, we've been going through the process of reviewing our balance sheet and all of our assets with E&Y for the last month, month-and-a-half since the year-end. We presented those results to the Audit Committee over the last

few days and finalized them with the board today.

In terms of the assumptions that have gone into it, there's obviously a number of assumptions that impact that cash flow model, the cash flow model that externally created, internally verified by our control functions and verified by E&Y. Those assumptions are around production, around cost, around fuel inputs, around coal prices, around FX, so there's a number of variables that go into that.

As I said earlier, I think we have been conservative in terms of the variables we've used and then that cash flow model comes out with a range of value. And we have impaired Yancoal down below the bottom end of that range, right below the bottom end of that range.

The coal price assumptions are the same assumptions that we use in all of our businesses. And at this point, our coal price assumptions are below the consensus curves. **Obviously, I can't provide you the specifics in terms of those numbers, because that is basically the numbers that we use to manage our business.** But what I can say is they are below the consensus curves. **And the adjustment in valuation, not only was our external auditor, E&Y, comfortable with, but our Audit Committee and our board are very comfortable with.**

Thank you. Next question, please.

Analysis: The first area of concern is Mr. Alireza's non-specific denial as to whether the write-down was in any way connected with the Iceberg report. When addressing the issue of Noble's coal price assumptions, other than to say that those assumptions are below the consensus curves, he refuses to provide any specifics beyond a vague claim that these are the numbers used to manage their business. Finally, he punctuates his response by offering a quick "Thank you," and then immediately calls for the next question. His eagerness to move away from this issue reflects his desire to avoid any further inquiry into the issue. His behavior suggests concern about the Iceberg report, as well as likely discomfort relative to the assumptions Noble is using to justify the write-down on Yancoal.

<Q - Charles C. Spencer>: Okay, great. So you're saying that EY actually did look in detail at this report, reviewed it with the board, reviewed it internally there, and went ahead with their statement.

<A - Robert van der Zalm>: EY just followed their internal protocols and felt comfortable signing off on the accounts.

Analysis: This is clearly an overly specific response, which again is a persuasion behavior that's intended to give the appearance of cooperation and responsiveness by providing information, however the information provided is inconsequential detail Mr. Van der Zalm fails to state that E&Y reviewed the report. Instead, he simply says E&Y went through its normal protocols.

<Q - Charles C. Spencer>: Will you be coming out with a further sort of a detailed response to some of the points raised?

<A - Yusuf Alireza>: Well, **we have sent out** – listen, I don't – **and I have been given advice not to spend a lot of time talking about this thing**. But I think I – I guess I'm not good at sometimes following that advice.

On the one hand, we have a company that was set up 30 years ago by our Chairman, Richard Elman, with three people and $100,000 of capital, and has been built over those 30 years to the 76th largest company in the world in terms of revenue. It's a company that's been a public company for 20 years, and issued quarterly results for those 20 years, audited quarterly results for those 20 years, and has hundreds of stakeholders, credit intensive stakeholders, that review our balance sheet all the time.

And on the other hand, there is an anonymous, unknown blogger who set up a blog a month ago. I will say that, at this point, we believe strongly we know who it is, and it's a disgruntled junior ex-employee, that we fired about a year-and-a-half ago. We've provided that information to the regulators.

I don't plan on spending any management time on this or shareholder resources on it. Our job is to be focused on the business and deliver results. We'll let the regulators decide what they want to do with the information.

Analysis: Mr. Alireza begins his response with a false start, and then states, "I have been given advice not to spend a lot of time talking about this thing." This comment reflects his adoption of what is known as an "access control" or "avoidance" strategy. This approach is often taken in situations where individuals, entities, or both are attempting to conceal information, particularly acts of wrongdoing. In doing so, they often make statements that reveal an unintended message as to how they plan to accomplish the concealment. In this case, Mr. Alireza's plan was to cite advice he had been given to avoid spending a lot of time talking about the matter. Typically, we find that this approach is taken in crisis situations. Mr. Alireza subsequently provides a lengthy string of convincing statements, a form of persuasion behavior in which he is focused on convincing his audience of the reputable nature of his company rather than conveying information that speaks directly to the matter at hand. This is followed by an equally lengthy attack on the individual whom he claims is responsible for the negative commentary. Such an attack is a form of aggression behavior that is indicative of a person's feeling that he has been backed into a corner by the facts, and so has no recourse but to lash out in response.

<Q - Neil Hume>: Hi. I think you've sort of answered a lot of the questions we had. But just going back just to Iceberg very quickly, I mean what makes – I mean can you give us a bit more detail on what makes you think this report was written by an ex-employee?

And also, if I heard you correctly, I mean you're sort of saying that you're not going to take any legal action against him. You're just going to let the regulators deal with this report. Can you just explain why you've taken that decision as well?

<A - Yusuf Alireza>: **So we don't want to get into detail, for obvious reasons, from a**

> **regulatory perspective, in terms of why we believe we know who it is.** But we have a high degree of confidence that we know who it is and we've provided that information to the regulators.
>
> **Listen, why are we not going to take action against this employee that we fired is because that's not we want to be focused on from the management team, and that's not what we want to do with shareholder equity and shareholder capital. Our focus is to deliver results. At the end of the day, our stakeholders will judge us not by an anonymous blogger, right, but by our results. And that's what we're going to focus on, our results. If he's broken any laws, then I think it's the regulators' responsibility to pursue that. It's just-**

Analysis: Citing regulatory reasons, Mr. Alireza refuses to explain why Noble believes that an ex-employee wrote the Iceberg report. Rather than provide a substantive rationale for not taking legal action against the suspected author of the report, Mr. Alireza simply provides a series of convincing statements that are designed to convince investors that the allegations levied in the Iceberg report are attributable to a disgruntled ex-employee, and therefore have no merit.
