

**Conclusions of the review  
of accounting allegations  
made against the Company SOLUTIONS 30**

**March 2021**

**Cabinet Didier Kling Expertise & Conseil  
28 Avenue Hoche  
75008 Paris**

Paris, March 31<sup>st</sup>, 2021

Mr Alexander SATOR  
Chairman of the Supervisory Board  
Mr Yves KERVEILLANT  
Chairman of the Audit Committee  
SOLUTIONS 30  
3, rue de la Reine  
L-2418 Luxembourg

Dear Sirs,

The Company Solutions 30 SE (hereinafter, the « **Company** » or « **S30** ») has been the subject of allegations relating, in particular, to supposed links it has with persons related to the Mafia, money laundering activities, transactions in the capital of subsidiaries, or certain of its accounting practices (hereinafter, the « **Allegations** ») contained in the following documents<sup>1</sup>:

- A report written by an anonymous author, entitled “criminal links need explanation”, that was made public on December 8, 2020 (hereinafter, the “**Anonymous Report**”);
- Three supplements to the Anonymous Report generically entitled "diving into subsidiaries", which have been made public only to a limited number of Company stakeholders (hereinafter, the « **Sub-reports** »);
- Five letters from the Muddy Waters Fund (hereinafter, « **Muddy Waters** ») dated December 11, 15 and 21, 2020 and January 25 and 27, 2021 (hereinafter, the « **Letters** »).

You have requested Didier Kling Expertise & Conseil (hereinafter, “**DK**” or “**DKEC**”), by the means of an Engagement Letter dated December 28, 2020, to give you an independent opinion on the allegations of accounting nature (hereinafter, “**Accounting Allegations**”) contained in the Documents.

At the same time, you have mandated the firm Deloitte Finance (hereinafter, “**Deloitte**”) to coordinate the review of all allegations made against S30 and to analyse the allegations which are not of an accounting nature.

The breakdown of the Allegations reviewing work between Deloitte and DKEC is shown in Figure 1 on the following page

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<sup>1</sup> The Anonymous Report, the Sub-reports and the Letters are jointly referred to in this letter under the term “**Documents**”.

**Figure 1. Breakdown of the Allegations reviewing work, between Deloitte and DKEC**

Sub-topic	Scope	Paragraph	Topic	Sub-topic	Scope	Paragraph		
The business relationships between S30 and AZ, a known mafia associate	Deloitte	NA	<b>9. The operations of S30 in Spain</b>	Transactions comparable to money laundering schemes / Telima España	Deloitte	NA		
The links between S30 and AZ, through Fabien Leger and Laura Leger	Deloitte			DK	§ 5			
The links between S30 Aurore Invest Fund and Green Bear	Deloitte			DK				
The links between S30 and AZ, through Louis Libart	Deloitte			Deloitte	NA			
S30 exponential growth	Deloitte	NA			The accounting operations of S30 Iberia in 2019	Deloitte & DK	§ 5	
S30 organic growth	DK	§ 1			The acquisition and disposal of Autronic	Deloitte & DK		
The name AZ, the address "Rue des Genêts" and certain entities related to AZ in the filings of S30 and its subsidiaries	Deloitte	NA			The operation with Connectica Groep	Deloitte & DK	§ 9.4	
The incorporation of S30, with the assistance of AZ	Deloitte				Transactions comparable to money laundering schemes / Connecting Cable & Digital Business Solutions (DBS)	Deloitte	NA	
Transactions comparable to money laundering schemes / Brand 30 Srl et Telima Inpart Srl	Deloitte				The operations with DBS	Deloitte & DK	§ 6.1	
The accounts receivable of Brand 30 Srl and WW Brand Srl	DK			§ 2		The links between Worldlink & Melvin Randall Midrowsky	Deloitte	NA
GIAS International	Deloitte	NA	<b>10. The operations of S30 in Germany</b>	The acquisition of Worldlink by S30	Deloitte & DK	§ 6.2		
Federal	Deloitte			DK		The financial performance of Worldlink	DK	
Pugal Ltd	Deloitte			Deloitte	NA	Criticisms over the management of Connecting Cable	Deloitte	
The creation of S30	Deloitte			Deloitte	§ 6.3	The acquisition of Connecting Cable	Deloitte	
The turnover of the Management board and the Supervisory board of S30	Deloitte	NA			The financial performance of Connecting Cable	DK		
The resignation of Olivier Raguin	Deloitte			Deloitte	NA	The change of the corporate name of Connecting Cable	Deloitte	
Francesco Serafini & the HP investigation	Deloitte				<b>11. The operations of S30 in France</b>	The operations with CPCP Telecom	Deloitte & DK	§ 7
Francesco Serafini & Dominator Yachts	Deloitte				<b>12. The operations of S30 in Italy</b>	The relationships between S30 and HP, in particular Rexion & Mixnet Italia Srl	Deloitte	NA
Alexander Sator	Deloitte			The BSI & BRSI operations		Deloitte & DK	§ 8	
The holding and the consolidation of BSS by S30	Deloitte & DK	§ 3		The loans of BSI & BRSI to S30 Italia		DK		
The links between BSS and Gold Cash & Pay Network Srl	Deloitte	NA		The acquisition of CFC Italia Srl by S30		Deloitte	NA	
The links between BSS and MHW Consultancy Services Ltd	Deloitte			The contractual arrangement between S30 and Massano Srl		Deloitte	NA	
The links between BSS and Special Services SPV Srl (ITSS)	Deloitte			<b>13. The relationships with Federico Salmoiraghi</b>	The sale of BSI & BRSI to Steel Telecom	Deloitte	NA	
The administrative errors related to the holding of BSS	Deloitte				Solutions 30 Eastern Europe	Deloitte		
The holding of BSS by RZA Connect Srl	Deloitte		Rimiflu		Deloitte			
BSS, a cost center	DK	§ 3	The money laundering allegations in relation to Federico Salmoiraghi		Deloitte			
The consolidation of S30 Ukraine	Deloitte & DK	§ 4	The holding of Remote 30 Eastern Europe		Deloitte			
The holding of S30 Ukraine by Solutions 30 Eastern Europe (S30 EE)	Deloitte	NA	<b>14. The accounting and financial matters</b>	The negative goodwill on the majority of the 2018 and 2019 acquisitions	DK	§ 9.1		
The operations of S30 in the Philippines	Deloitte			The capital gain amounting to €15m	DK	§ 9.2		
The operations of S30 in Greece (VoCo)	Deloitte & DK	§ 4		Telima Frepart	DK	§ 9.3		
The operations of S30 in Guyana and in Martinique	Deloitte & DK	§ 4		S30 cash	DK	§ 9.5		
The links between S30 and Volga Group	Deloitte	NA		S30 debts	DK	§ 9.6		
				"Invoices to be issued"	DK	§ 9.7		
				Classification of other operating income	DK	§ 9.8		
				The booking of software development costs	DK	§ 9.9		
				The acquisition of Elmo by S30 Wschód	DK	§ 9.10		

NB: "NA" means that, having been reviewed by Deloitte, the Allegation is not the object of a conclusion in the present communication, and, therefore, it will be necessary to refer to the Deloitte report regarding these allegations.

The purpose of the present letter is to respond to your request to provide you with conclusions of our work on our review of Accounting Allegations.

These conclusions will be structured around 9 themes, in which the Accounting Allegations have been organized, in order to make their presentation more synthetic.

We first of all set out the procedures that we carried out and the reservations that apply to the conclusions presented later in this letter.

## **Procedures and Reservations**

The work of reviewing the Accounting Allegations, of which we present the conclusions, took place over the period running from December 28, 2020 to March 31, 2021. As for the Accounting Allegations identified in the Documents, they consisted of:

- Analysing legal, accounting and bank documents, transmitted to us by S30 at our request, which could include experts' consultations;
- Interviewing:
  - ✓ the Chairman of the Management Board and the Chief Financial Officer of S30;
  - ✓ members of the S30 Finance and Accounting Department, as well as S30 advisers and consultants;
  - ✓ the auditor (réviseur d'entreprises agréé) certifying S30's accounts;
- When relevant, carrying out walkthrough tests, analytical procedures and verifying certain accounting entries of the corporate and/or consolidated accounts in support of the documents transmitted.
- Verifying accounting standards were duly applied by S30.

As part of our work, we were able to benefit from the collaboration of the Company and to discuss with Deloitte, and we did not notice any hindrance whatsoever.

These conclusions have been drawn up for the attention of the Company's Supervisory Board for information purposes. DKEC does not incur any direct or indirect responsibility towards any third party, or any person other than the recipients of this letter, in reference to the information contained therein, its interpretation, its application or any possible omission.

These conclusions have been translated into English, to help S30 with the communication needs it may have. Nonetheless, it shall be noted that the French version shall prevail.

The conclusions resulting from our work carried out, as of March 31, 2021, are established on the basis of the information, data and documents which were made available to us at our request during our mission. It was not for us to verify the completeness of the documents made available to us.

We have no obligation to update these conclusions.

Finally, our mission does not constitute an audit or a limited examination carried out in accordance with applicable professional standards. It was not intended to audit the accounts, nor to express any audit opinion thereon at any date.

We have carried out our procedures by exercising our professional judgment and by considering the concept of materiality threshold<sup>2</sup>

### **1. S30's financial performance and organic growth**

As a preliminary point, we may observe, in the publication in which S30 details its 2019 revenue, three elements<sup>3</sup>: organic growth of historical subsidiaries, organic growth of acquired companies, external growth. It specifies that revenue relating to outsourcing contracts concluded with the DXC and TELENET groups are included in its organic growth.

In this context, our work enabled us to verify the calculation of organic growth presented by S30 for its 2019 financial year. Thus, we have not identified any elements allowing us to confirm the Allegations concerning the misallocation of the consequences of certain transactions between organic growth and external growth.

### **2. The transfer of S30's headquarters to Luxembourg**

Our work enabled us to verify that the services invoiced by the companies Brand 30 Sarl and WW Brand Sarl correspond to brand license fees invoiced to fully consolidated subsidiaries of the S30 group.

The income and expenses as well as the receivables and payables related to these services have been eliminated as part of the consolidation process, in accordance with the applicable consolidation rules.

Therefore, the invoicing for these services has no impact on the consolidated result of S30.

### **3. Balkans Shared Services (hereinafter, "BSS")**

Our work enabled us to verify that the profit in the amount of € 441k, made during its 2019 financial year by the company Balkans Shared Services<sup>4</sup> originates in the margin that this company made on the re-invoicing of services, carried out by usual subcontractors of the S30 group, to two fully consolidated entities of the S30 group.

Therefore, this profit has no impact on the consolidated result of S30.

Our work also made it possible to verify the cash flow, inflow and outflow, justifying the level of BSS's cash at the end of its 2019 financial year (€ 712k). We note, however, that this cash is currently unavailable due to ongoing legal proceedings.

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<sup>2</sup> That is, the amount beyond which economic decisions or judgment based on the accounts are likely to be influenced

<sup>3</sup> Press Release dated January 28, 2020 relating to 2019 revenue (presented in the Luxembourg accounting framework), press release dated April 28, 2020 relating to 2020 results (presented in the IFRS accounting framework) and 2019 consolidated financial statements (pages 65 and following, of the French version).

<sup>4</sup> As stated in the management report on S30's 2019 social results (see page 9).

## **4. S30 operations in Ukraine, The Philippines, Greece, Guyana and Martinique**

### **4.1 Allegation relating to the company Solutions 30 Ukraine LLC (hereinafter, “S30 Ukraine”)**

According to Deloitte’s analysis:

- S30 Ukraine, legally registered in Ukraine on April 11, 2019, is a company 100% owned by Solutions 30 Eastern Europe,
- The S30 group only had a minority stake (19%) in Solutions 30 Eastern Europe in 2019.

Given the exclusive control of S30 Ukraine by Solutions 30 Eastern Europe, which is also a minority stake in the S30 group below the 20% threshold, it is justified that S30 Ukraine is not included in the scope of consolidation of S30 in 2019.

### **4.2 Allegation relating to the company VoCo Single Member PC (hereinafter, “VOCO”, Greece)**

Our work confirms that VOCO was not significant, which explains its exclusion from the consolidation scope of the 2018 and 2019 consolidated financial statements prepared in accordance with IFRS.

### **4.3. Allegation relating to Solutions 30 Guyane (hereinafter, “S30 Guyane”) and Solutions 30 Martinique (hereinafter, “S30 Martinique”)**

Our work confirms the existence of operations by S30 Guyane and S30 Martinique, which operate, in these areas, the implementation of a contract that S30 signed with one of its main clients, and made it possible to verify the invoicing procedures of these companies, without noting any anomalies.

## **5. Several S30 operations in Spain**

Our conclusions regarding the allegations in connection with the company Autronic Comunicaciones SL, now called Vitgo Comunicaciones SL, (hereinafter, “**Autronic**”), in which S30 initially acquired a 50% stake in February 2016, relate to four points.

First, the drop in Autronic's valuation from € 7m, when S30 entered its capital in February 2016, to a symbolic euro, in March 2018, is justified by the drop in recorded results by this company between its 2015 financial year, i.e. the last financial year ended on the date of acquisition of the initial stake in S30, and its 2017 financial year, or the last financial year ended on March 2018.

Secondly, we consider that the accounting methods used by S30 to consolidate its participation in Autronic prove to be correct, from a formal point of view, both in its accounts drawn up according to the Luxembourg accounting standards (hereinafter, “**Lux GAAP** ») and in its accounts stated in accordance with IFRS.

However, the arrangement implemented by S30 to retrocede 51% of Autronic's capital in March 2018 to a third party, before buying this stake from it in October 2019, did not prove to be appropriate to reflect, in a relevant way, in its consolidated financial statements, its

economic exposure to Autronic. Favouring substance over form could have led S30 to fully integrate Autronic into its consolidated accounts from March 2018<sup>5</sup>.

Third, the change in Autronic's consolidation method from proportional consolidation to the equity method from June 2017, did not lead S30 to see an increase in the value of its stake in Autronic at the closing of its 2017 accounts, contrary to what is stated in the “diving into subsidiaries 1” Sub-report.

Finally, our analysis leads us to consider that S30 should have carried out the depreciation of the residual goodwill attached to its stake in Autronic at the end of its 2017 financial year (2,311 k €) established according to Lux GAAP.

It should be noted that this depreciation was taken into account in the consolidated financial statements of S30 defined under IFRS at the date of transition, i.e. January 1, 2018.

## **6. Several S30 operations in Germany**

### ***6.1 Allegations relating to the company Digital Business Solutions (hereinafter, “DBS”)***

We have not identified any elements that support the allegation that Mr. Gianbeppi FORTIS would have granted loans to DBS or, reciprocally, that DBS would have granted them to Mr. Gianbeppi FORTIS on December 31, 2015 and 2016.

### ***6.2 Allegations relating to the company WorldLink GmbH (hereinafter, “WorldLink”)***

Our conclusions, regarding the allegations in reference to the company WorldLink, in which S30 took a 20% stake in July 2018, fiscal year during which this company achieved a 4.79 m € revenue and a net loss of -1.04 m €, before acquiring the remaining equity in December 2020, relate to three points.

Firstly, we determined that the Aurore Invest fund (hereinafter, “**Aurore Invest**”) made a capital gain of €25.4k corresponding to the difference between the exercise price of the purchase option that S30 had on its participation and the cost price of this participation, which had been acquired on the basis of one symbolic euro.

According to our analysis, this capital gain, even limited, was justified by real involvement in the management of WorldLink, effective economic risk-taking or a positive evolution of WorldLink's performance.

Secondly, we consider that the interest rate on shareholder's loans granted by S30 to WorldLink (€ 1.610m at the end of 2018 and € 2.675m at the end of 2019) turned out to be lower than the market rate given the risk of default of WorldLink, although this was the same rate that S30 charged for all of its subsidiaries. As a result, S30 should have written down the value of its shareholder's loans to WorldLink in its 2018 and 2019 consolidated accounts.

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<sup>5</sup> The consolidation method used for this participation from March 2018 was the equity method both in the accounts prepared according to Lux GAAP and in accordance with IFRS.

Finally, our analysis shows that S30 should have applied the following consolidation methods to its participation in WorldLink:

- Equity method resulting from the exercise of significant influence in its 2018 consolidated accounts established under Lux GAAP;
- Full consolidation resulting, in essence, from the exercise of de facto control, effective July 2018, in its 2018 and 2019 consolidated financial statements prepared in accordance with IFRS.

### **6.3 Allegations relating to the company Connecting Cable**

On the basis of the documents transmitted to us, it appears that the discrepancies observed in the 2014 and 2016 balance sheets of the company Connecting Cable result from reclassifications in clearly identified balance sheet accounts, without any impact on the level of its net profit. Moreover, as part of its certification of Connecting Cable's accounts for the year ended December 31, 2015, including comparative data with a reclassification at the 2014 balance sheet level, the Auditor did not issue any particular observation.

## **7. Several operations in France**

Our conclusions regarding the allegations in connection with the acquisition, by S30, of CPCP Telecom (hereinafter, "**CPCP**"), relate to four points.

Firstly, we determined that Aurore Invest achieved a capital gain in the amount of €77k - contrary to the amount of € 470K indicated in the allegations -, corresponding to the difference between the exercise price of the call option available to S30 on its participation and the cost price of this participation.

Secondly, our analysis show that, the difference between the purchase price of the CPCP securities recorded in the accounts of the company Telima Frepard (hereinafter, "**TELIMA**"), a wholly-owned subsidiary of S30, and the sale's price of these same CPCP securities registered with the seller company, CMC (hereinafter, "**CMC**"), is due to:

- the capital gain achieved by Aurore Invest on its stake in CPCP (€ 77,000 - see above);
- the amount of fees invoiced by the financial advisor who supported S30 in the acquisition of CPCP (€ 4,269,000).

According to the documents that this financial advisor sent us, via two legal opinions from a lawyer attesting to having rendered these opinions independently, these fees are likely to be analysed up to 898 k € as ancillary costs to the acquisition of the shares and up to €3,271,000 as operating expenses of CPCP.

This portion of fees corresponding to operating expenses should not have been included in:

- the value of CPCP shares recorded in TELIMA's corporate accounts;
- the basis for calculating goodwill recorded in respect of CPCP in the 2017 and 2018 consolidated accounts of S30, established in accordance with Lux GAAP.



It needs to be highlighted that:

- in the 2018 consolidated accounts established in Lux GAAP, this restatement of acquisition costs would have reduced the acquisition price of CPCP shares, and therefore correspondingly, increased the negative goodwill (badwill) calculated by the difference with the value of the relationships customers, generating a profit of an similar amount;
- in the consolidated accounts prepared in accordance with IFRS, this distinction has no consequence, the acquisition costs being recorded as expenses.

Thirdly, we consider that S30 has appropriately integrated its stake in CPCP:

- by equity method, between June 2017 and July 2018, then, from that date, by full consolidation in its 2018 and 2019 consolidated accounts established under Lux GAAP;
- by full consolidation from January 1, 2018 in its consolidated accounts prepared in accordance with IFRS.

Finally, we deem that the description in S30's 2019 annual report of the conditions under which it could increase its initial stake in CPCP, should have referred to a notion of obligation in the event of fulfilment of conditions precedent, rather than an option to increase its capital share.

## **8. Several operations in Italy**

Our conclusions concerning the allegations in connection with the company's Business Solutions Italia Srl (hereafter, "**BSI**") and Business Remote Solutions Italia Srl (hereafter, "**BRSI**"), which the company Solutions 30 Italia Srl (hereafter, "**S30 Italia**"), a wholly-owned subsidiary of S30, created in January 2018, to implement a service provision contract signed with the DXC group, before selling them in October 2019, relate to three points.

First, our analysis of the legal documents relating to the sale of BSI and BRSI confirms that S30 and the company F2Linvest, owned by Mr. SERAFINI, member of the Supervisory Board of S30, sold their stakes in BSI and BRSI, within a few days in October 2019, on the basis of an overall valuation of BSI and BRSI of €2.2m and €4.3m, respectively.

The documents that were transmitted to us at our request by S30 do not reveal:

- a shareholders' agreement had been signed between S30 Italia and F2Linvest, whereas such a document could have included, in absolute terms, clauses allowing their interests to be aligned in the event of S30 Italia leaving the capital of BSI and BRSI;
- F2Linvest had bargain power justifying that it benefits from a higher valuation base for its BSI and BRSI shares than that obtained by S30 Italia.

Secondly, we note that the amount of the capital gain linked to the sale of BSI and BRSI turns out to be higher in the consolidated accounts of S30 drawn up according to IFRS, than in the social accounts of S30 Italia drawn up according to the Italian accounting standards, due to differences in the accounting treatments applicable in these two standards.

Lastly, we were able to trace all the flows between S30 Italia, BSI, BRSI and the company Steel Telecom, which acquired BSI and BRSI, both with regard to the payment of the purchase price

of BSI and BRSI by Steel Telecom, as regards the loans made by S30 Italia from BSI and BRSI and their repayment, which was completed during the year 2020.

More specifically, according to our analysis:

- BSI and BRSI had significant cash flow, resulting from the specificities of the outsourcing contracts they had concluded with the DXC group, which it could therefore lend temporarily to S30 Italia;
- the variation in cash recorded by S30 Italia between December 31, 2018 and December 31, 2019 (+1,244 k €)<sup>6</sup> may be rationalised.

## **9. Accounting and financial matters**

### ***9.1 On the recognition of badwill (negative goodwill) by S30 in the context of some of its acquisitions***

Our work, carried out on the basis of tests, did not lead us to identify anomalies in the process of identifying intangible assets, taking the form of customer relationships, and in determining the valuation parameters, which led to estimate a customer relationship value showing badwill on certain acquisitions made in 2018 and 2019.

Without calling into question the recorded badwill levels and our conclusions above, however, we recommend that, for the future, S30 should document more precisely the following points in the context of its next acquisitions:

- the nature of the customer relationship provided by the acquired company in relation to the synergies with S30, which make it possible to perpetuate or to develop existing relationships;
- the length of the relationship in view of the diversity of the activities carried out;
- the level of operating margin with regard to companies considered to be market participants in the market in which the acquired company operates.

### ***9.2. On the capital gain in the amount of € 15 million recorded in S30's 2018 consolidated accounts, established in accordance with IFRS***

The Anonymous Report questions the origin of a capital gain of € 15 million recorded by S30 in 2018, which would not be mentioned in its annual report the same year.

Our work shows that this capital gain stems from the exercise in 2018 by S30 of a call option on the balance of the capital of the company JANSSENS Group BVBA (hereinafter,

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<sup>6</sup> We observe that the analysis presented in the letter from Muddy Waters dated January 25, 2021 does not take into account the following elements:

- ✓ the receipt of € 2.2m obtained by S30 Italia in the framework of the sale of BSI and BRSI was partially offset by the acquisition of shares in the company F2Linvest and by a capital increase in these companies during the year 2019 ;
- ✓ the loans made by S30 Italia with BSI and BRSI during 2019 had already been partially repaid at the end of 2019.

"JANSSENS"), of which it held already 50% of the equity, as part of a partnership with the telecommunications operator TELENET.

In accordance with IFRS, the exercise of this purchase option was analysed as a takeover by successive purchase of securities, giving rise to the revaluation of the initial 50% stake on the basis of the purchase price of the balance of the capital.

This is why this capital gain appears in the 2019 (and not 2018) annual report of S30 when S30 established for the first time, its financial statements in accordance with IFRS while also presenting comparative data for the transition period, i.e. on January 1, 2018 and December 31, 2018.

### **9.3 On TELIMA Frepart**

We note that S30 pledged the securities of its subsidiary TELIMA as part of the set-up of its structured loan and that TELIMA filed 2018 corporate accounts corrected for the material error showing its table of subsidiaries and holdings, which does not call for any particular comments from us.

### **9.4 On CONNECTICA Groep BV (hereinafter, "CONNECTICA")**

S30 acquired a 50% stake plus one share of CONNECTICA in August 2017 before retroceding 2% of its capital to a third party investor.

Our analysis show that S30 has appropriately integrated its participation in CONNECTICA in consolidated accounts drawn up according to Lux GAAP and in accordance with IFRS.

### **9-5 On S30 cash position**

As a preamble, we note that the bank confirmation procedure is part of the audit procedures usually carried out by the approved company auditor/statutory auditors as part of their certification of consolidated accounts.

Our work on the S30 Cash Allegations has not led to the identification of any anomalies.

More precisely:

Regarding cash at December 31, 2017, the consolidated position of € 26.7 million corresponds to cash contributions from consolidated entities, after taking into account a reclassification entry for cash advances made by the parent company to its subsidiaries, as part of a cash pooling contract with a banking partner. These cash advances, recorded under "Other debts" in the parent company stand-alone financial statements, have been reclassified and have been subject to compensation, to the "Treasury" account level in the consolidated financial statements.

Regarding the consolidated cash position at December 31, 2019, for which the letter from Muddy Waters of January 25, 2021 indicated a difference with a census that would have been carried out on the basis of the company accounts, we carried out verifications on the most significant cash balances or which seemed relevant to us, on the basis of bank statements. These verifications, which covered 90% of the cash presented in assets, did not reveal any anomalies.

Regarding the consolidated cash position in assets at December 31, 2020, our work confirmed 94.6% of this position, established on the basis of a contribution to the consolidated accounts, based on bank confirmations collected in the certification process for its accounts.

## **9.6 On S30's bank debt in 2019**

At the outset, we observe that S30 sets out, in its 2019 financial statements<sup>7</sup>, the amount of its bank debt, the amount of debts related to price supplements and sales options and the amount of debt related to leases.

Our work shows that the bank debt indicated by S30 in its 2019 financial statements was indeed contracted overwhelmingly at the level of Solutions 30 SE via a structured loan.

## **9.7 On the invoices to be issued**

The letter of January 25, 2021 from Muddy Waters, questions the evolution of the “*Invoices to be issued*” item of the S30 group, especially by taking the example of its French subsidiary SOTRANASA, and the effect that this evolution could have had on the consolidated result 2019 from S30.

In order to analyse the relevance of this allegation, we carried out work consisting in inquiries with the financial management of S30, to learn about the procedures followed in terms of revenue recognition and recording of invoices to be established, and to conduct walkthrough tests, for a group of four entities that we have selected, contributing to 79% of the consolidated amount of the “*invoices to be issued*” item as of December 31, 2019.

On this basis, our findings are as follows:

- The company monitors the dates of completion of services, their sales prices and their costs via dedicated software applications.
- With the exception of the turnkey FTTH8 activity, the invoices to be issued often correspond to services carried out during the month or the month and a half preceding the closing; invoices are then issued and paid within one or two months of closing, where applicable in connection with a formal validation process prior to issuance.
- Regarding the turnkey FTTH activity, in particular by the operating entities SOLUTIONS 30 France and SOTRANASA, the services are structured according to stages within milestones. The billing cycle can be longer, as it depends on the completion of a milestone. For the recognition of revenue resulting from this activity, we note that the financial department uses a breakdown by stage of the prices provided for by the price grid agreed with the client. This breakdown is established on the basis of the best historical estimates made by the operational departments of the S30 group.
- Regarding more particularly the turnkey FTTH activities carried out by SOTRANASA, which fall within the framework of the monitoring of communication network construction projects, the invoices to be issued with the main customer amounted to 11.3 €m including VAT at December 31, 2019, of which at least 50% was invoiced during the month of January

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<sup>7</sup> S30's 2019 financial statements in French, page 65.

<sup>8</sup> Fiber To The Home

2020 and a total of 82% during the year 2020. The finance department explains that the increase in invoices to be issued as of December 31, 2019 compared to the previous financial year, is due to a historical accounting scheme under “*Work in Progress*” and a development of activities. On an annual basis, we note that trade receivables as a whole, including invoices to be issued, as well as work in progress, represented a ratio of 61.7 days of sales in 2019 consistent and down compared to the ratio of 67.6 days in 2018.

Subject to the limits inherent in our work, carried out on the basis of tests and our recommendations to improve the documentation of the estimates made for the recognition of revenue on completion, we consider that S30 follows internal procedures making it possible to estimate the amount of invoices to be issued in a satisfactory manner.

### ***9.8 On other operational products***

Muddy Waters’s letter of January 25, 2021 questions the importance of other operating income recorded by S30 and suggests that they are non-operating income.

In order to analyse the relevance of this allegation, we have reviewed, on a test basis, the main items contributing the other current operating income detailed in note 6.1 of S30's 2019 annual report.

On the basis of our work and the information provided, we have not identified any anomalies concerning the description of current operating income in the financial statements and their amount.

More specifically, we note that:

Operating subsidies amounting to € 12.1 million mainly correspond to the reversal, as costs incurred, of provisions made for debts to employees, included in the context of outsourcing contracts, resulting from their employment contracts (see paragraph 8).

IT assets in the amount of € 5.8 million are mainly analysed as transfers of charges re-invoiced by certain subsidiaries concerning IT developments, recorded as intangible assets (see paragraph 9.8).

The main components of other current operating income in the amount of € 11.9m correspond to:

- billings for a perpetual license and IT costs as part of a contract with a customer;
- the result of contributions in kind to a company then not owned by the S30 group;
- insurance reimbursements, training costs, re-invoicing of costs and benefits in kind.

### ***9.9 On the recording of IT development costs***

Muddy Waters’s letter of January 25, 2021 said S30 would not disclose how much IT expenses it spends on maintenance and development, suggesting that 100% of all of those costs would be capitalized.

In order to analyse the relevance of this allegation, we have reviewed the nature of the IT costs recorded by S30 in its 2019 financial year, according to whether they are recognized as operating expenses or as intangible assets.

On the basis of our work and the information provided, we have not identified any elements likely to call into question compliance with the criteria defined by IAS 38, relating to the recognition of these development costs as intangible assets. We understand that IT developments relate to platforms<sup>9</sup> and their functionalities (planning, synchronization, interfaces), allowing the monitoring of activities. In this regard, they contribute and will contribute to generate probable future economic benefits.

Given the internal organization adopted by the S30 group, certain development costs correspond to interventions by subcontractors monitored by subsidiaries who then bill them back to the parent company. This rebilling gives rise to an internal margin, which S30 has chosen not to eliminate as part of the consolidation process because of its immaterial nature, which our analysis have been able to corroborate.

***9.10 On the acquisition of an Elmo Spolka Akcyjna (hereinafter, "ELMO")'s activity, by the company Solutions 30 Wschód S.p.z.ooz (hereinafter, "S30 Wschód")***

A review of the legal elements relating to the acquisition of an Elmo business by S30 Wschód shows that the accounting effective date of this acquisition was correctly determined by S30 as of January 1, 2020.

Cabinet Didier Kling Expertise et Conseil

Didier Kling  
Président

Teddy Guerineau  
Associé

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<sup>9</sup> Including those presented on pages 46 to 48 of chapter 9 of the Euronext admission prospectus.