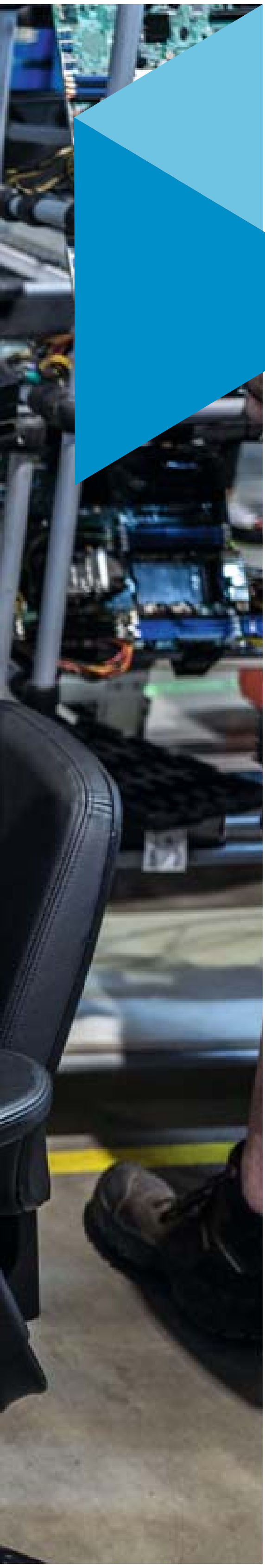

5

FINANCIAL AND ACCOUNTING INFORMATION /AFR/

5.1 COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS

5.1.1 Overview

Key figures

The following table presents the key figures for the 2022 period.

(in millions of euros)	2021	2022	Change (%)	Change (%) LFL (Like-for-like) [3]
REVENUE	**663.3**	**788.0**	**18.8%**	**12.4%**
Current EBITDA [1]	240.0	277.1	15.4%	2.7%
Current EBITDA margin	*36.2%*	*35.2%*		
ADJUSTED EBITDA [2]	**262.0**	**307.6**	**17.4%**	**5.4%**
Adjusted EBITDA margin	*39.5%*	*39.0%*		
GROSS CASH FLOW FROM OPERATING ACTIVITIES	**289.5**	**262.2**		
Recurring Capex [4]	122.4	150.9		
Growth Capex [4]	220.8	301.0		

(1) The current EBITDA indicator corresponds to operating income before depreciation, amortisation, impairment and other non-current operating income and expenses.

(2) In addition to the current EBITDA, the Group follows the adjusted EBITDA. This alternative performance indicator corresponds the current EBITDA restated, on the one hand, from expenses related to share-based compensation and, on the other hand, from earn-outs.

(3) Like-for-like (LFL): at constant exchange rates and scope of consolidation vs. 2021 and excluding the direct effects of the Strasbourg incident.

(4) OVHcloud analyses its Capex according to two categories:

- recurring Capex represents the capital expenditure on servers (and related infrastructure and networks) needed to maintain income at the same level from one period to the next. It concerns the capital expenditure needed to produce new servers to replace the income from servers that were downgraded or taken offline during the period (either definitively or for refurbishment), determined on the basis of the average income per server taken offline and of the average income of new servers assembled during the period;

- growth Capex represents all capital expenditure other than recurring Capex, necessary to deliver the growth in revenue.

Summary of results for the period: OVHcloud exceeds its income target and confirms its acceleration strategy

- Revenue of €788 million in 2022, up strongly by 18.8% compared to 2021. Like-for-like revenue growth of 12.4%
- Adjusted EBITDA of €308 million, a 39.0% margin, and reported growth of 17.4% compared to the previous period
- Recurring and growth Capex respectively 19% and 36% [1] of revenue for the period
- Acceleration trajectory confirmed for 2023 with an organic revenue growth target of between +14% and +16% and an adjusted EBITDA margin in line with FY2022
- Targeted recurring and growth Capex of 16-20% and 28-32% of 2023 revenue respectively
- Confirmed mid-term targets with an organic revenue growth around 25%, an adjusted EBITDA margin close to 42%, recurring Capex and growth Capex respectively between 14% and 16% and between 28% and 32%

1) *Growth Capex excludes the acquisition of additional IPv4 addresses and external acquisitions.*

OVHcloud Chief Executive Officer Michel Paulin said:

"The 2022 annual results demonstrate OVHcloud's ability to deliver a strong, sustainable and profitable growth acceleration strategy. In a hyper-growth cloud market, our European leadership has enabled us to step up the deployment of our sovereign solutions while constantly increasing our environmental responsibility. Building on our skills, along with robust, innovative partnerships, our expansion has been particularly supported by the rapid enrichment of our product portfolio and our customers' international development. Our integrated operating model and trusted offering allow us to successfully absorb the volatility of the current environment. We are particularly confident in our ability to continue this momentum throughout 2023 and thereafter in order to achieve our 2025 targets."

In 2022, OVHcloud confirmed its position as the leader for a sustainable cloud with ambitious medium-term commitments and key performance indicators amongst the best in the market.

Ambitious medium-term commitments:

- **100% low-carbon energy by 2025**, with the aim of limiting the use of high-carbon energy by promoting renewable energy and other low-carbon energy sources;
- **Contribution to global Net Zero for scopes 1 & 2 by 2025**, with scopes 1 & 2 representing almost 40% of OVHcloud's carbon footprint;
- **Contribution to global Net Zero for all scopes by 2030**, with scope 3 being mainly related to component manufacturing;
- **0% landfill by 2025**, for waste related to OVHcloud's processes, on a LFL (Like-for-like) basis in terms of geographical scope.

Similarly, OVHcloud has an ambitious and recognised human resources policy. At end August 2022, the Group employed 2,800 people, including 60% tech. OVHcloud is particularly focused on its employees' well-being, which can be seen in a strong engagement score (7.5/10, up 0.2 point compared to 2021) and a high loyalty rate of 79%. These very encouraging scores give OVHcloud confidence in its ability to deliver its growth acceleration plan.

Highlights

Strasbourg 5: the first achievement of the hyper resilience plan

SBG5, a strong symbol of the Group's industrial strategy, is the first data centre designed as part of the hyper resilience plan. The site, with a surface area of 1,700 m^2, has a total of 19 isolated rooms with masonry that compartmentalises the different segments in order to provide two hours of fire resistance. The gas fire extinguishing system meets the APSAD R13 standard and the VESDA smoke detectors comply with the APSAD R7 standard. The seven power rooms and the three battery rooms are located outside the building.

In addition, in order to manage the environmental impact, the SBG5 site benefits from the principles of frugality and efficiency perfected for more than 20 years by OVHcloud, particularly its water-cooling system for server components that achieves a water efficiency index (WUE) of less than 0.2 L/kWh, *i.e.* the equivalent of a glass of water to cool a server for 10 hours of use. OVHcloud stands out with its closed circuit system that limits liquid losses, and also by the use of dry coolers and the absence of air conditioning in the server rooms.

Commercial performance

2022 was marked by numerous commercial wins, notably in Q4 with the signature of new contracts and the acquisition of new customers such as AIFE (State financial agency), Mastercard, Arianespace, Alstom, Fencecore, EQS Group and Efalia. Growth was notably driven by continuous improvement in ARPAC [(1)] and the development of strong partnerships with IT integrators such as Capgemini, Accenture and Sopra Steria. OVHcloud also recorded double-digit revenue growth with its global and local partners, which now number 1,100 including over 500 international partners. Lastly, at end August 2022, OVHcloud was offering 81 IaaS and PaaS solutions to its customers, with a doubling, during the year, of PaaS solutions in general availability. The development of PaaS solutions is in line with the Group's initial business plan. OVHcloud's ability to grow with its customers is reflected in a net revenue retention rate of 114% for FY2022. It reached 108% LFL (Like-for-like), up significantly compared to the previous year.

2022 also demonstrated the success of the strategy implemented by OVHcloud. The Group is driven by continued solid sales momentum, notably in Public Cloud and Private Cloud, development in PaaS uses by customers, sustained international development and a sovereign offering that has shown results with over 35 customers for its SecNumCloud offering, up significantly during Q4.

This year's positive momentum is also reflected in the shift of the business mix towards Public Cloud and Private Cloud and the growing share of international business in the Group's revenue, reaching 51% for the year. By reaching a share of 54% of revenue over the year, up 2 percentage points compared to the previous year, the Enterprise segment confirms its good performance and the effectiveness of its dedicated growth strategy.

Expanding and strengthening its global footprint

OVHcloud confirms the deployment of the industrial component of its growth acceleration plan. The latter includes the extension of historical sites, along with new sites and new countries:

- The Roubaix campus will be strengthened by a tenth data centre;
- In Gravelines, OVHcloud will deploy new capacities with a new dedicated space;
- An AZ (availability zone) region of three data centres in the Paris region will be commissioned in 2023;
- On the other side of the Rhine, the Limburg campus will open a new data centre in Q3 2023 to support local growth and a new remote site has been launched to open in 2024;
- As a result of strong growth in North America, the Group plans to equip the Beauharnois campus with its ninth data centre and to open a new data centre in Toronto in 2023;
- In the Asia region, in which OVHcloud is also seeing strong growth, the Group deployed its first data centre in Mumbai, India in 2022. From 2023, the Group plans to deploy a second data centre in Singapore.

1) *ARPAC: Average revenue per active customer.*

ForePaas: acquisition of complementary technological bricks

The Group acquired ForePaaS in April 2022 as part of its external growth policy, and in particular its desire to target startups with active customer bases or technologies allowing synergies with the rest of the OVHcloud portfolio and accelerate the development of its Platform as a Service (PaaS) offering. ForePaas is a unified platform specialising in data analytics, machine learning and artificial intelligence projects for companies. This merger will actively contribute to the deployment of OVHcloud's growth acceleration strategy through the enrichment of its offering (PaaS).

Macroeconomic environment

The current macroeconomic environment is particularly deteriorated by inflationary trends (in particular the increase in energy costs), and by the war in Ukraine.

The Group has several key assets in this inflationary dynamic:

- OVHcloud operates according to a vertically integrated model, which gives it control of its value chain;
- the Group has set up two interest rate swaps (exchanging the variable rate of the term loan for fixed rates) (Note 4.19 to the consolidated financial statements) enabling it to limit the risk induced by interest rate fluctuations;
- the Group uses forward foreign exchange contracts (Note 4.20 to the consolidated financial statements) to limit its exposure to potential currency fluctuations;
- the Group obtains its supplies through forward purchase contracts, at fixed or indexed prices, in order to reduce its exposure to the risk of an increase in the purchase price of energy. OVHcloud has also entered into an energy purchase agreement with the EDF Renouvelables group, providing for the provision by EDFR of electricity from an agrivoltaic park, for the exclusive benefit of the Group. OVHcloud plans to consume 100% of the green energy produced by this park, from January 2025, representing around 25% of the current annual electricity needs in France. This contract provides long-term visibility of the price of the electricity to be supplied.

With regard to the current geopolitical situation between Russia and Ukraine, the Group is constantly monitoring its domestic customers in Russia, Belarus and Ukraine. In this context, the Group is rigorously complying with all regulations in force. Furthermore:

- revenue generated in Russia, Belarus and Ukraine represents approximately 1.5% of the Group's revenue as at 31 August 2022;
- the Group does not have any employees in Ukraine, Russia or Belarus;
- the Group has no service providers (individuals) based in Ukraine;
- it has no infrastructure in these three countries;
- there is no material risk of recovery of receivables due at 31 August 2022.

Outlook

2022 confirms the Group's ability to implement its strategic plan and its growth acceleration trajectory.

2023 outlook

For FY2023, OVHcloud is targeting an organic revenue growth of 14-16%, up compared to FY2022.

The cost of electricity, particularly in Europe, is one of the most significant inflationary factors. Thanks to its active electricity hedging policy and government decisions, the Group already knows the cost of 90% of its electricity consumption for the 2023 financial year. This visibility enables OVHcloud to expect its electricity costs in 2023 to be around mid to high-single digit percentage of its revenue, up compared to mid-single digit in 2022. In this context, OVHcloud has announced gradual price increases, in line with cloud industry-wide rises, which will enable OVHcloud to maintain its 2023 adjusted EBITDA margin in line with 2022. OVHcloud's customer dynamic has been so far unaffected by those announcements.

Lastly, the Group is targeting recurring Capex between 16% and 20% of revenue and growth Capex between 28% and 32% of revenue. The lowering of the growth Capex range has been made possible by the scheduled reduction in component inventories, which expanded considerably during FY2022 in order to offset shortages, increased operational efficiency, mainly due to the SAP solution deployed in December 2021, and the expected levelling of average component prices compared to FY2022, a year marked by strong inflation.

Medium-term outlook confirmed

The Group reiterates its medium-term financial targets and aims to achieve the following by 2025:

- organic revenue growth accelerating to around 25% by FY2025 driven by a shift in business mix, deployment of the "Move to PaaS" strategy, international expansion, the benefits from the market shift to hybrid- and multi-cloud and the focus on data sovereignty;
- adjusted EBITDA margin close to 42%, by partly reinvesting economies of scale mainly achieved through better absorption of fixed costs over the period;
- recurring Capex benefiting from productivity improvements and decrease as a percentage of revenue towards a range of between 14% and 16%; likewise, growth Capex as a percentage of revenue, within a range of 28% to 32%.

5.1.2 Analysis of the Group's results and investments

Main factors influencing revenue

OVHcloud is positioned in a rapidly-growing global cloud market, deploying a strategy designed to capture customer growth in its existing markets, to realise growth from new cloud usages and innovative offerings, and to expand geographically. OVHcloud's revenue growth is based on the development of this strategy, which should enable it to fully benefit from a rapidly growing global cloud market.

OVHcloud believes that, as the only major European cloud service provider with a unique, sustainable and data-sovereign business model, it is well positioned to achieve sustainable and profitable growth in the coming years.

OVHcloud's revenue growth is derived from the net increase in the number of its customers, and from the income generated by each of its customers. OVHcloud uses a number of indicators to measure and analyse its actual and potential revenue growth, including in particular:

- revenue retention rate. The revenue retention rate for any period is equal to the percentage calculated by dividing (i) the revenue generated in year N from customers that were present in year N-1, by (ii) the revenue generated from those customers in year N-1. When the revenue retention rate exceeds 100%, it means that the revenue from the relevant customers increased from the relevant period in year N-1 to the same period in year N (meaning that the net increase in revenue from customers present over the two periods exceeded the reduction in revenue generated by customers no longer present in the second period);
- ARPAC. Average revenue per active customer (ARPAC) represents the revenue recorded in a given period from a given customer group, divided by the average number of customers from that group in that period (the average number of customers for a period is equal to the average number of single customers generating revenue for each month during the twelve months ending at the end of that period. A customer that subscribes for multiple services is treated as a single customer). ARPAC increases as customers in a given group spend more on OVHcloud services. It can also increase due to a change in mix, as an increase (or decrease) in the proportion of high-spending customers would increase (or decrease) ARPAC, irrespective of whether total income from the relevant customer group increase. OVHcloud measures the impact of ARPAC for each segment, with the impact at Group level representing the sum of the figures for the segments (as a direct calculation at Group level would be significantly impacted by the segment mix, and would thus be less meaningful).

As a general matter, OVHcloud tends to experience a relatively high level of customer churn in the first year after acquiring new customers. After the first year, the customer base turns out to be highly loyal. Private and Public Cloud customers generally increase spending steadily, particularly in the first three or four years of becoming customers, by subscribing for additional products or upgrading the services for which they subscribe. In 2022, OVHcloud confirmed these trends with a revenue retention rate (RRR) of 114% on a reported basis and 108% LFL (Like-for-like). This rate reflects significant growth in ARPAC throughout the year thanks to the Group's ability to grow with its customers and to achieve cross-sell or up-sell.

Change in business

Annual FY2022 revenue of €788 million, up 18.8% as reported and up 12.4% LFL (Like-for-like)

OVHcloud's consolidated revenue for FY2022 reached €788 million, up 18.8% compared to FY2021 as reported and up 12.4% LFL (Like-for-like), at constant exchange rates and scope of consolidation and excluding the direct effects of the Strasbourg incident. 2022 performance highlights the overall cloud market dynamism and in particular the significant growth opportunity in Public Cloud and Private Cloud.

REVENUE BY PRODUCT SEGMENT

(in millions of euros)	2021	2022	Change (%)	Change (%) LFL (Like-for-like)
Private Cloud	398	485	22.0%	14.5%
Public Cloud	94	126	33.9%	20.0%
Webcloud & Other	171	177	3.1%	2.5%
TOTAL REVENUE	**663**	**788**	**18.8%**	**12.4%**

Private Cloud, which includes Baremetal Cloud and Hosted Private Cloud, achieved a revenue of €485 million in 2022, up +22.0% as reported and up +14.5% LFL (Like-for-like). The strong growth of the segment during the half year reflects the double-digit increase in all regions during FY2022 and the continuous growth of ARPAC.

Public Cloud posted revenue of €126 million for FY2022, up +33.9% as reported and up +20.0% LFL (Like-for-like). Public Cloud was notably driven by strong growth in ARPAC, reflecting the success of the upsell and cross-sell efforts with our partners. PaaS services, including Beta and recently marketed solutions, continued to show encouraging signs of customer adoption with performance in line with the initial business plan. The strengthening of the offering, with 81 IaaS and PaaS solutions available as of end-August, gives OVHcloud customers access to comprehensive services closely tailored to their needs.

During 2022, the Web Cloud & Other segment was up +3.1% as reported and up +2.5% LFL (Like-for-like) compared to the previous year. This performance reflects the positive full-year performance of the Enterprise segment, which includes partners and resellers, and a lower-than-expected performance for the Connectivity and Telephone sub-segments, mostly linked to temporarily misfitted commercial offerings. Some of these offerings have recently been updated to better match customer needs and marketing work is underway to improve sales targeting.

REVENUE BY GEOGRAPHIC MARKET

(in millions of euros)	2021	2022	Change (%)	Change (%) LFL (Like-for-like)
France	343	389	13.6%	8.8%
Europe (excl. France)	193	224	16.4%	11.1%
Rest of the World	128	175	36.3%	23.4%
TOTAL REVENUE	**663**	**788**	**18.8%**	**12.4%**

The increase in revenue in France includes double-digit growth in Private and Public Cloud, notably driven by the Enterprise channel, which includes revenue generated with our partners. The Web Cloud & Other segment is penalised by the Connectivity and Telephone sub-segment, some of whose offerings have recently been updated to better match customer needs. Revenue growth also reflects the significant relative weight of this last segment, as well as the impact of the Strasbourg fire, to which France had a greater exposure than the other regions. Revenue grew by +8.8% LFL (Like-for-like) in France.

In the other European countries, revenue for Private and Public Cloud also saw double-digit growth, with the same trends as those observed in France. The region is benefiting from the creation of dedicated sales teams, as reflected by the positive performance of the Enterprise segment, particularly in Public Cloud.

In the Rest of the World, strong growth continued in the United States and Asia at +79.5% and +48.1% as reported and +65.2% and +37.0% LFL (Like-for-like) respectively. In the region, the Private and Public Cloud segments recorded double-digit growth for the year, with a strengthened comparison base compared to Q4 FY2021. The digital channel also continued on an excellent trend, with growth of +73.3% LFL (Like-for-like) in the United States. This performance was mirrored in Asia with growth of +70.8% LFL (Like-for-like). This sustained growth illustrates the success of OVHcloud’s expansion strategy in both regions.

Current EBITDA and adjusted EBITDA

In FY2022, current EBITDA was €277 million and adjusted EBITDA, which is the non-GAAP indicator primarily followed by the Group, reached €308 million. Adjusted EBITDA increased by 17.4% over the period giving an adjusted EBITDA margin of 39.0%. During FY2022, OVHcloud’s cost base includes an increase in electricity costs, notably during Q4, and a higher weight related to the mix effect of the dollar and acquisitions.

(in millions of euros)	2021	2022	Change (%)	Change (%) LFL (Like-for-like)
Private Cloud	145	168	15.6%	0.6%
Public Cloud	34	50	46.8%	21.5%
Web Cloud & Other	61	60	(2.4%)	(3.8%)
TOTAL CURRENT EBITDA	**240**	**277**	**15.4%**	**2.7%**
Private Cloud	158	188	18.8%	4.4%
Public Cloud	37	56	51.1%	27.0%
Web Cloud & Other	67	64	(4.5%)	(5.8%)
TOTAL ADJUSTED EBITDA	**262**	**308**	**17.4%**	**5.4%**

Profit or loss

Operating expenses

In 2022, OVHcloud recorded total operating expenses reflected in current EBITDA of €510.9 million, an increase of 21% compared to €423.3 million in 2021. Operating expenses represented 64.8% of income in FY2022 (*versus* 63.8% in FY2021). This increase, almost proportional to income growth (18.8% on a reported basis), mainly reflects the acceleration of the Group's growth and the increase in sales and marketing costs in line with the continued solid sales momentum focused on the development of partnerships, the acceleration of PaaS solutions, the enhancement of the digital channel and the international reach of the brand.

As of 31 August 2022, it should be noted that operating expenses exclude €32.3 million of capitalised personnel expenses (€27.8 million during FY2021), and include €8.7 million (€0.9 million euros in FY2021) relating to the contingent earn-outs with continued presence conditions in respect of the acquisition of ForePaaS and BuyDRM.

Expenses related to the Strasbourg fire and insurance indemnities are recorded in other non-current operating income and expenses, and do not impact current EBITDA.

Gross margin

The gross margin was €514.6 million in 2022, an increase of €82.7 million, or 19.1%, compared to €431.9 million in 2021, mainly reflecting the increase in income, partially offset by an increase in external service costs. The gross margin excludes €32.3 million of capitalised personnel expenses for development projects in 2021 (compared to €27.8 million in 2021).

The gross margin as a percentage of income increased from 65.1% of income in FY2021 to 65.3% in FY2022. After adjusting for vouchers issued and unbilled services due to the Strasbourg fire, the gross margin would have been 65.5% of income for FY2022 (66.5% for FY2021).

Sales and marketing costs

Sales and marketing costs increased from €70.2 million in 2021 to €97.2 million in 2022, an increase of 38.4%. As a percentage of income, sales and marketing costs also increased, from 10.2% in FY2021 (compared to income adjusted for the effects of the Strasbourg fire), to 12.3% in FY2022.

This increase is mainly due to the continued development of the geographical cluster sales initiative which required the strengthening of the commercial teams, targeted spending in digital channel optimisation, the acceleration of partnerships (such as Capgemini, Accenture and Sopra Steria) and the acceleration of PaaS solutions.

General and administrative expenses

General and administrative expenses were stable as a percentage of income (17.8% in FY2022 compared to 17.6% in FY2021, compared to income adjusted for the effects of the Strasbourg fire).

They increased by €18.7 million, from €121.7 million in 2021 to €140.4 million in FY2022, mainly reflecting the Group's growth ambition. It should be noted the recognition of an expense of €8.7 million for FY2022 (€0.9 million for FY2021) relating to the contingent earn-outs with continued presence conditions in respect of the acquisition of ForePaaS and BuyDRM.

Group net income

Depreciation and amortisation expenses

Depreciation and amortisation expenses amounted to €(268.7) million in 2022 compared to €(224.0) million in 2021. This change is mainly due to the growth in the Group's Capex, the commissioning of development projects capitalised during the financial year ended 31 August 2022, and the reduction in the depreciation period of certain components, following the fire on the Strasbourg site, and finally the additional provision for the depreciation of certain components due to a more precise analysis of the projected use of the components.

Operating income

The Group posted an operating loss of €(20.5) million in 2022, compared to operating income of €6.5 million for 2021. The impact of expenses related to the IPO, recent acquisitions and the Strasbourg fire represented €52 million for 2022, including €22 million in share-based compensation plans, €9 million in earn-out payments, €8 million in IPO-related expenses, €5 million in accelerated impairment of damaged servers in Strasbourg, €4 million in commercial gestures related to the Strasbourg incident and €4 million non-recurring expenses, mostly in connection with insurance premium surcharges. Excluding these non-recurring items, operating income would have been positive, at €31.5 million.

Other non-current operating income and expenses

Other non-current operating income and expenses amounted to €(28.8) million in 2022 compared to €(9.5) million in 2021. This change is due in particular to the costs directly induced by the occurrence of the Strasbourg incident, certain restructuring costs in connection with the overhaul of the Group's industrial processes in 2022, and the scrapping and revaluation of IT components assets, following the migration of data into the new SAP system and the overhaul of the Group's industrial processes.

Net finance income (expense)

Net finance income (expense) amounted to €0.7 million in 2022 compared to a net expense of €(28.6) million in 2021. This change is due in particular to a low interest expense of €19.1 million, in line with the more favourable refinancing conditions, and the change in net foreign exchange gains for €8.4 million, mainly related to US dollar positions.

Income tax expense

The income tax expense amounted to €(8.8) million in 2022 compared to €(10.2) million in 2021. The expenses, in 2022, in respect of share-based compensation plans and earn-outs for an amount of approximately €31 million, do not contribute to the formation of the Group's taxable income.

Net income and dividend policy

OVHcloud recorded a net loss of €(28.6) million in 2022, compared to €(32.3) million in the previous period.

OVHcloud intends to maintain its investment policy focusing on the growth of its business and does not plan to distribute dividends in the medium term. In line with its strategy, the Company does not plan to distribute dividends in respect of the period ended 31 August 2022, and recalls that it did not pay any dividends in respect of the financial years ended 31 August 2019, 2020 and 2021.

Cash and cash equivalents

The following table sets out the key data from the cash flow tables in OVHcloud's consolidated financial statements for 2021 and 2022 periods.

(in millions of euros)	2021	2022
Gross cash flow from operating activities	289.5	262.2
Change in operating working capital requirement	(20.0)	23.4
Tax paid	(1.3)	(11.5)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**268.2**	**274.1**
Recurring Capex	(122.4)	(150.9)
Growth Capex	(220.8)	(301.0)
M&A and other	(11.3)	(17.2)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(354.5)**	**(469.1)**
NET CASH FLOWS FROM FINANCING ACTIVITIES	**54.6**	**176.5**

Net cash flow from operating activities

Cash flow from operating activities totalled €262.2 million in FY2022 compared to €289.5 million in FY2021.

The Group's working capital requirement is detailed as follows:

(in millions of euros)	2021	2022
Trade receivables	35.5	38.8
Other receivables and assets	132.0	79.9
TOTAL OPERATING RECEIVABLES FROM ITEMS IN THE STATEMENT OF FINANCIAL POSITION	**167.4**	**118.7**
Accounts payable	(149.5)	(115.1)
Other operating liabilities	(164.6)	(182.1)
TOTAL OPERATING PAYABLES FROM ITEMS IN THE STATEMENT OF FINANCIAL POSITION	**(314.1)**	**(297.2)**
TOTAL WORKING CAPITAL REQUIREMENT FROM ITEMS IN THE STATEMENT OF FINANCIAL POSITION	**(146.7)**	**(178.6)**
Change in working capital requirement based on items in the statement of financial position	13.7	(31.9)
Impact of exchange rate and other	6.3	8.5
CHANGE IN WORKING CAPITAL REQUIREMENT FROM THE STATEMENT OF CASH FLOWS	**20.0**	**(23.4)**

The change in working capital requirement over the period includes:

- The collection, in September 2021, of a single lump-sum insurance indemnity of €58 million for damage caused by the Strasbourg fire recognised in "Other receivables" at 31 August 2021;
- The disbursement related to the costs incurred by the Group in the context of its IPO (mainly advisory fees) for an amount of €(8.6) million;
- The disbursement in 2022 of costs related to share-based payments of €(6.3) million recognised in other liabilities at 31 August 2021;
- The calendar effect of the execution of the weekly supplier payment campaign observed at 31 August 2021, in the amount of €(18.1) million;
- The increase in earn-outs for €7.7 million.

After taking into account changes in working capital requirements and tax payments, cash flow from operating activities increased from €268.2 million in 2021 to €274.1 million in 2022.

Net cash flow used in capital expenditure

OVHcloud's Capex includes primarily investments in the production of servers and in the construction of data centres.

As part of its vertically integrated model, OVH fully manages the production and life cycle of its servers. This allows the Group to extend the useful life of server components by reusing them in the various offering ranges. As a consequence, the same component may be reused several times within the same product segments, but also in another segment than its segment of origin.

OVHcloud maintains a stock of IPv4 addresses to ensure its ability to service customers, and typically makes purchases on an opportunistic basis.

Other Capex reflects primarily investments in the development of IT equipment, new technology and software, and administrative systems.

Main current or future capital expenditure

OVHcloud expects that its capital expenditure for the production of servers in the coming years will generally reflect the pace of its activity, and will include the production of servers to replace those taken out of service in order to maintain income, as well as investments in additional servers to support growth.

As part of its strategic plan, OVHcloud confirms the opening of 15 sites by 2024 to offer innovative IaaS and PaaS services to its customers looking for trusted and environmentally-friendly solutions. This ambitious industrial component will support the growth of existing sites, conquer new regions, and address new uses, by deploying a hyper-resilient and sustainable model. In this respect, OVHcloud plans to maintain its investments to improve its data centres and production sites to ensure that they are secure and fully compliant with applicable regulations, by allocating a budget of around €25 million in 2023 for investments in fire protection, detection and extinguishing systems.

Main Capex items

The following table provides a breakdown of the main Capex items for the periods indicated:

(in millions of euros)	**2021**	**2022**
IT equipment (1)	196.8	236.4
Data centre infrastructure (2)	55.7	91.9
Network (3)	18.6	16.9
IP addresses	4.1	19.9
TOTAL CAPITAL EXPENDITURE (CAPEX) FOR DATA CENTRES	**275.2**	**365.1**
Others	68.0	86.8
TOTAL CAPITAL EXPENDITURE (CAPEX)	**343.2**	**451.9**

(1) Mainly includes server components, network switches and server production costs. For the 2021 financial year, also includes the production of servers to meet the needs of customers impacted by the Strasbourg fire for €21 million.

(2) Mainly includes construction costs and investments in electricity treatment, water cooling and other equipment.

(3) Mainly includes connections and equipment dedicated to the transport of data within the data centre, between data centres and data centres to the end customers.

The increase in IT equipment Capex from €196.8 million for the 2021 financial year to €236.4 million for the 2022 financial year reflects, in particular, OVHcloud's desire to stock more components to cover any supplier shortages.

The increase in data centre infrastructure Capex from €55.7 million in 2021 to €91.9 million in 2022 reflects the continued acceleration of expansion projects in the United States, Asia-Pacific, France and Germany, and, to a lesser extent, capital expenditure to strengthen the security of data centres through the implementation of additional protection as part of the hyper resilience plan.

The change in network Capex is in line with the trends set out above.

Favourable market conditions explain the opportunistic acquisition of additional IPv4 addresses for €20 million during the 2022 financial year.

Other Capex amounted to €68.0 million in FY2021 and €86.8 million in FY2022. Expenditures in 2022 include €47.9 million for administration and production systems, mainly related to the SAP implementation, and €38.9 million for internal technology and software development.

Recurring Capex and growth Capex

Capex breaks down as follows for the periods indicated:

(in millions of euros)	2021	% of revenue	2022	% of revenue
Recurring Capex	122	18.4%	151	19.1%
Growth Capex (1)	221	33.3%	301	38.2%
TOTAL CAPITAL EXPENDITURE (EXCLUDING CORPORATE ACQUISITIONS)	**343**	**51.7%**	**452**	**57.3%**

(1) In 2021, capital expenditure related to the Strasbourg fire was presented in the growth Capex for €21 million.

Growth Capex varied mainly due to data centre expansion projects, increased Capex for product development and back office systems, additional acquisition of IPv4 addresses and, to a lesser extent, in connection with capital expenditure to strengthen the security of data centres through the implementation of additional protection. Restated for the additional acquisition of IPv4 addresses, growth Capex amounted to 35.7% of revenue for the 2022 financial year. In addition, it should be noted that capital expenditure related to the Strasbourg fire was presented in the growth Capex for the 2021 financial year for €21 million.

Net cash flows from financing activities

In 2022, net cash flows from financing activities amounted to €176.5 million, mainly characterised by:

- capital increases in connection with the IPO and the employee shareholding offer for a total amount of €349.3 million, net of IPO costs;
- the full repayment of the previous Loan Agreement (Term Loan and Revolving Credit Facility), as well as the Euro PP bonds, for an amount of €701.4 million (excluding interest);
- the new €500 million term loan;
- the drawdown of the new revolving credit facility for €60 million;
- the repayment of lease liabilities in the amount of €18.6 million, and the payment of interest on the debt in the amount of €10.5 million.

Financial indebtedness

Consolidated net debt at 31 August 2022 was €567.7 million compared to €708.6 million at 31 August 2021.

The decrease in gross financial debt is mainly due to:

- the full repayment of the previous Senior Credit Agreement (Term Loan and Revolving Credit Facility), as well as the Euro PP bonds, for an amount of €703.4 million (including interest on the debt);
- the new term loan of €500 million (€494.4 million including interest on debt and net of amortised borrowing costs);
- the drawdown of the new revolving credit facility for €60.1 million.

New credit facility with the European Investment Bank (EIB)

On 8 November 2022, the Group entered into a €200 million credit facility with the EIB. This credit line may be drawn down several times (a maximum of five drawdowns), at a fixed or variable rate, or a combination of both, within a period of 18 months. Each drawdown is repayable within a maximum of nine years. This new credit facility is subject to compliance with a net debt/EBITDA ratio of 4.50.

The following table shows the Group's gross and net financial debt as at 31 August 2021 and 2022:

(in millions of euros)	Interest rate	Final maturity	31 August 2021	31 August 2022
Bond B	4.00%	17/11/2021	58.8	-
Bond C	4.13%	27/05/2022	10.3	-
Term facility	Euribor +3.25% margin	04/12/2026	400.3	-
Term facility	Euribor +1.10% margin	23/10/2026		494.4
Revolving credit facility	Euribor +2.50% margin	04/12/2025	234.0	-
Revolving credit facility	Euribor +0.70% margin	23/10/2026		60.1
Term loan B (BPI loan)		31/03/2026	0.5	0.3
Green loan (BPI loan)	0.98%	30/06/2028	5.0	5.0
Other borrowings				1.8
TOTAL FINANCIAL DEBT			**709.0**	**561.5**
Lease liabilities (IFRS 16)			52.9	42.4
Bank overdrafts			0.3	-
TOTAL FINANCIAL DEBT			**762.2**	**603.9**
Cash and cash equivalents			(53.6)	(36.2)
NET FINANCIAL DEBT			**708.6**	**567.7**
Lease liabilities (IFRS 16)			(52.9)	(42.4)
Capitalised costs			-	7.2
FINANCIAL DEBT – EXCLUDING CAPITALISED COSTS			**655.7**	**532.5**
LEVERAGE RATIO			**2.5X**	**1.7X**

Equity

The consolidated net position at 31 August 2022 amounted to €468.3 million, up by €362.7 million compared to 31 August 2021, mainly due to:

- The capital increase in connection with the IPO, for an amount of €350 million (€340.2 million net of costs directly allocated to the share premium);
- The capital increase in connection with the Group's Employee Share Purchase Offer ("ESP 2021") for an amount of €9.8 million (including €0.7 million through the incorporation of reserves);
- The effect of equity-settled compensation plans (free share awards and "ESP 2021") for €21.0 million;
- The impact of the comprehensive income as detailed in the condensed half-year consolidated financial statements for an amount of €(5.4) million.

5.1.3 Additional information

Situation related to the Strasbourg incident

At 31 August 2022, OVHcloud had received a limited number of complaints and requests for information from customers alleging to be affected by the Strasbourg incident, a significant portion of which were received in the first three months following the fire. Customers, located primarily in France and to a lesser extent in other European countries, are requesting information about the data stored on the OVHcloud servers, recovery of any lost data and, in some cases, monetary compensation. The requests for compensation are generally for small individual amounts, or are not quantified.

OVHcloud believes that, in a significant proportion of cases, customer claims are unfounded, and that in most other cases the commercial gestures already spontaneously granted to customers largely compensate for any prejudice suffered by them. OVHcloud has endeavoured to find an amicable agreement to settle customer claims whenever possible.

OVHcloud may be required to pay certain amounts as part of settlement agreements, or as a result of definitive legal decisions. In addition, OVHcloud incurs certain costs related to the management of this litigation and these agreements. In this respect, OVHcloud does not consider that the total cost of appraisal costs, procedural costs and customer claims has changed since 31 August 2021. At 31 August 2022, the balance of the provision amounted to €24.5 million. The provision was determined in conjunction with the Company's advisors, after studying customer claims by exposure category, even though not all the claims received have yet been settled or adjudicated.

Reimbursements from the Group's insurance companies for the destruction of the data centres and the incremental costs of the incident were received in September 2021.

5.2 CONSOLIDATED FINANCIAL STATEMENTS

5.2.1 Consolidated Financial Statements

Consolidated income statement

(in thousands of euros)	Notes	2021	2022
INCOME	**4.3**	**663,312**	**787,998**
Personnel expenses	4.4	(172,477)	(211,063)
Operating expenses	4.5	(250,805)	(299,867)
CURRENT EBITDA [(1)]		**240,030**	**277,068**
Depreciation and amortisation expenses	4.6	(224,042)	(268,705)
CURRENT OPERATING INCOME		**15,988**	**8,363**
Other non-current operating income	4.7	-	103
Other non-current operating expenses	4.7	(9,478)	(28,950)
OPERATING INCOME		**6,510**	**(20,484)**
Costs of financial debt		(30,267)	(11,197)
Other financial income		12,899	30,904
Other financial expenses		(11,245)	(19,013)
FINANCIAL RESULT	**4.8**	**(28,613)**	**694**
PRE-TAX INCOME (LOSS)		**(22,104)**	**(19,790)**
Income tax	4.9	(10,240)	(8,764)
CONSOLIDATED NET INCOME (LOSS)		**(32,344)**	**(28,554)**
EARNINGS PER SHARE			
Basic earnings per ordinary share *(in euros)*	4.16	(0.19)	(0.15)
Diluted earnings per share *(in euros)*	4.16	(0.19)	(0.15)

(1) The current EBITDA indicator defined in Note 4.1 corresponds to operating income before depreciation, amortisation and other non-current operating income and expenses (Note 4.7).

Consolidated statement of comprehensive income

(in thousands of euros)	Notes	31 August 2021	31 August 2022
Revaluation of hedging instruments	4.19	3,117	11,616
Tax on recyclable items	4.9	(873)	(3,001)
Translation differences	4.20	4,397	14,146
Items that are recyclable in profit or loss		**6,641**	**22,761**
Actuarial gains and losses on defined-benefit pension plans	4.21	(150)	509
Tax on non recyclable items	4.9	39	(132)
Items that cannot be recycled to profit or loss		**(111)**	**377**
TOTAL OTHER COMPREHENSIVE INCOME		**6,530**	**23,138**
Consolidated net income		(32,344)	(28,554)
COMPREHENSIVE INCOME FOR THE PERIOD		**(25,814)**	**(5,416)**

Consolidated statement of financial position

(in thousands of euros)	Notes	31 August 2021	31 August 2022
Goodwill	4.10	33,836	50,892
Other intangible assets [(1)]	4.10	136,885	223,506
Property, plant and equipment	4.11	797,045	949,512
Right-of-use assets	4.23	49,277	40,345
Non-current financial assets	4.13	1,303	1,450
Deferred tax assets [(1)]	4.9	8,729	5,623
Total non-current assets		**1,027,075**	**1,271,328**
Trades receivables	4.14	35,481	38,765
Other receivables and current assets	4.15	131,959	79,911
Current tax assets		4,008	4,760
Derivatives financial instruments – assets	4.19	140	11,798
Cash and cash equivalents	4.17	53,610	36,187
Total current assets		**225,198**	**171,421**
TOTAL ASSETS		**1,252,273**	**1,442,749**

(in thousands of euros)	Notes	31 August 2021	31 August 2022
Share capital	4.16	170,779	190,541
Share premiums		93,470	418,256
Reserves and retained earnings [(1)]		(126,290)	(111,894)
Net income (loss)		(32,344)	(28,554)
Equity		**105,615**	**468,349**
Non-current financial debt	4.17	639,583	559,323
Non-current lease liabilities	4.17	38,061	28,481
Other non-current financial liabilities		16,921	15,898
Non-current provisions	4.21	6,011	4,348
Deferred tax liabilities	4.9	14,144	16,759
Other non-current liabilities	4.22	7,783	10,926
Total non-current liabilities		**722,503**	**635,735**
Current financial debt	4.17	69,760	2,209
Current lease liabilities	4.17	14,837	13,923
Current provisions	4.21	31,361	24,601
Accounts payable		149,504	115,111
Current tax liabilities		1,694	11,347
Derivatives financial instruments – liabilities	4.19	174	280
Other current liabilities	4.22	156,825	171,194
Total current liabilities		**424,155**	**338,665**
TOTAL LIABILITIES AND EQUITY		**1,252,273**	**1,442,749**

(1) At 31 August 2021, property, plant and equipment, deferred tax assets and equity include the reclassification of the net carrying amounts (at 1 September 2020) related to the costs of configuring and customising previously capitalised SaaS software, for an amount of €4.8 million before tax (€3.2 million net of tax). This reclassification results from the confirmation by the IASB of the IFRIC decision relating to the recognition of these costs (Note 3).

Consolidated statement of changes in equity

(in thousands of euros)	Notes	Share capital	Share premiums	Reserves and consolidated income (loss)	Translation reserves	Other comprehensive income (excluding translation reserves)	Equity
1 SEPTEMBER 2021		**170,779**	**93,470**	**(160,525)**	**1,325**	**566**	**105,615**
Consolidated net income (loss)		-	-	(28,554)	-	-	(28,554)
Other comprehensive income		-	-	-	14,146	8,992	23,138
Comprehensive income		**-**	**-**	**(28,554)**	**14,146**	**8,992**	**(5,416)**
Capital increase (1)	4.16	19,762	330,176	(663)	-	-	349,275
Share-based payments and employee shareplan (2)	4.24	-	-	20,978	-	-	20,978
Cancellation of treasury shares		-	-	(966)	-	-	(966)
Other changes (3)		-	(5,390)	4,253	-	-	(1,137)
Transactions with the shareholders		**19,762**	**324,786**	**23,602**	**-**	**-**	**368,150**
31 AUGUST 2022		**190,541**	**418,256**	**(165,477)**	**15,471**	**9,558**	**468,349**

(1) Capital increase associated with the initial public offering and the Employee Share Plan 2021 (see Notes 2 and 4.16).

(2) Allocation of free shares and employee shareholding (see Notes 4.16 and 4.24).

(3) Mainly additional legal reserve (see Note 4.16).

(in thousands of euros)	Share capital	Share premiums	Reserves and consolidated income (loss)	Translation reserves	Other comprehensive income (excluding translation reserves)	Equity
1 SEPTEMBER 2020 BEFORE NEW IFRIC INTERPRETATION ON SAAS CONTRACTS	**170,407**	**93,842**	**(139,232)**	**(3,072)**	**(1,567)**	**120,378**
New IFRIC interpretation on SaaS contracts (effect net of tax)	-	-	(3,183)	-	-	(3,183)
1 SEPTEMBER 2020	**170,407**	**93,842**	**(142,415)**	**(3,072)**	**(1,567)**	**117,195**
Consolidated net income (loss)	-	-	(32,344)	-	-	(32,344)
Other comprehensive income	-	-	-	4,397	2,133	6,530
Comprehensive income	**-**	**-**	**(32,344)**	**4,397**	**2,133**	**(25,814)**
Capital increase	372	(372)	-	-	-	-
Share-based payments and employee shareplan	-	-	13,266	-	-	13,266
New IFRIC interpretation on the allocation of retirement benefits to the services' periods (effect net of tax)	-	-	990	-	-	990
Other changes	-	-	(22)	-	-	(22)
Transactions with the shareholders	**372**	**(372)**	**14,234**	**-**	**-**	**14,234**
31 AUGUST 2021	**170,779**	**93,470**	**(160,525)**	**1,325**	**566**	**105,615**

Consolidated statement of cash flows

(in thousands of euros)		Notes	2021	2022
CONSOLIDATED NET INCOME (LOSS)			**(32,344)**	**(28,554)**
Adjustments to net income items:				
Depreciation, amortisation and impairment of non-current assets and right of use relating to leases		4.6	224,042	268,705
Changes in provisions			33,610	(8,983)
(Gains)/losses on asset disposals and other write-offs and revaluations			10,656	9,560
Expense related to share allocations (excluding social security contributions)		4.24	13,266	20,978
(Income)/Tax expense		4.9	10,240	8,764
Net financial income (excluding foreign exchange differences)		4.8	30,075	(8,279)
Gross cash flow from operating activities	**A**		**289,545**	**262,191**
Change in net operating receivables and other receivables		4.15	(100,009)	60,965
Changes in operating payables and other payables		4.22	80,004	(37,562)
Change in operating working capital requirement	**B**		**(20,005)**	**23,403**
Tax paid	C		(1,322)	(11,472)
CASH FLOWS FROM OPERATING ACTIVITIES	**D = A + B + C**		**268,218**	**274,123**
Payments related to acquisitions of property, plant and equipment and intangible assets		4.10 - 4.11	(343,232)	(453,447)
Proceeds from disposal of assets			(0)	1,620
Cash inflows/(outflows) related to business combinations net of cash		4.10	(12,699)	(17,206)
Receipts/(disbursements) related to disposals of consolidated securities and impact of reorganisations and loss of controlReceipts/(disbursement) related to loans and advances granted			1,233	-
Cash inflows/(outflows) related to loans and advances granted			205	(31)
Net cash flows used in investing activities	**E**		**(354,493)**	**(469,064)**
Capital increase – Initial Public Offering		4.16	-	340,181
Capital increase – “ESP 2021”		4.16	-	9,093
Acquisition of treasury shares		4.16	-	(966)
Increase in financial debt		4.17	120,000	560,642
Repayment of financial debt		4.17	(25,374)	(702,284)
Repayment of lease liabilities		4.17	(19,061)	(18,610)
Financial interest paid		4.17	(20,675)	(10,529)
Guarantee deposits received			(277)	(1,071)
Net cash flows from financing activities	**F**		**54,613**	**176,456**
Effect of exchange rate on cash and cash equivalents	G		277	1,396
CHANGE IN CASH AND CASH EQUIVALENTS	**D + E + F + G**		**(31,385)**	**(17,090)**
Cash and cash equivalents at beginning of the period			84,656	53,271
Cash and cash equivalents at end of the period			53,271	36,181

(in thousands of euros)	2021	2022
Cash and cash equivalents at beginning of the period	**84,656**	**53,271**
Effect of exchange rate on cash and cash equivalents	277	1,396
Change in cash and cash equivalents	(31,662)	(18,486)
Cash and cash equivalents at end of the period	**53,271**	**36,181**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Presentation of the Group

OVHcloud Group is a global player and the European cloud leader active on five continents. For over twenty years, the Group has relied on an integrated model that has given it complete control of its value chain: from the design of its servers to that of cloud platform solutions that it provides to its customers together with the construction and management of its data centres, and the organisation of its fibre optic network. This unique approach allows OVHcloud Group to cover all of its customers' uses in a fully independent way. Today, the Group offers state-of-the-art solutions combining high performance, price predictability and total sovereignty over their data, to support their growth in complete freedom.

The terms "OVHcloud" and the "Group", as used in the consolidated financial statements, unless otherwise expressly stated, refer to the Company, its subsidiaries and its direct and indirect equity interests.

The parent company of the OVHcloud Group (the "Group") is OVH Groupe (the "Company") which was founded in 1999 and is currently registered at 2, rue Kellerman, 59100 Roubaix, France.

The Group's consolidated financial statements at 31 August 2022 were approved by the Group's Board of Directors on 25 October 2022.

The consolidated financial statements are presented in thousands of euros (unless otherwise stated). The amounts are indicated without decimals and rounded to the nearest thousand euros and may, in certain cases, lead to non-material discrepancies in the totals and sub-totals shown in tables.

Note 2 Significant events

2.1 Significant events during the period ended 31 August 2022

Initial public offering

OVHcloud Groupe SA was listed on compartment A of the Euronext Paris regulated market on 15 October 2021 in order to finance its growth strategy, which is to include the financing of its geographical expansion, the construction of data centres, the development of new products and external growth transactions where applicable. The total number of OVHcloud shares newly issued as part of the initial public offering is 18,918,919, with a unit value of €18.50, *i.e.* a primary offering of approximately €350 million.

On 18 January 2022, the Group set up a liquidity contract to ensure an active market for OVH Groupe shares on Euronext Paris. €5 million in cash was allocated to implement this contract.

Refinancing

Following its initial public offering, on 25 October 2021 the Group redeemed the full amount of the previous Loan Agreements (Term Loan and Revolving Credit Facility), as well as the Euro PP bonds for an amount of €705.2 million (including interest), thanks to the establishment of a new unsecured senior loan agreement with a total principal amount of €920 million (the "New Debt"), to replace the previous Loan Agreements. The New Debt, which is not subject to a guarantee given by the Company, includes a new term loan of €500 million, with a maturity of 5 years, together with the setting up of a new revolving credit facility (RCF) for a maximum capacity of €420 million with an initial maturity of 5 years eligible to two extended options for one more year each.

At the funds release date, the applicable margin was 1.10% for the term loan against 3,25% in the previous refinancing, and 0.70% in the case of a drawing-down of the revolving credit facility instead of 2.50% in the previous refinancing.

Company shareholding

The companies MANOVH and MENOVH, two entities combining the Group's employee shareholding (managers and employees), merged into the Company on 18 October 2021, making the shareholders of MANOVH and MENOVH direct shareholders of the Company.

Following the transformation of the Company into a public limited company incorporating a Board of Directors (*Société Anonyme à conseil d'administration*) on 28 September 2021, the total number of A Preference shares and C Preference shares were converted into Ordinary Company Shares as of 18 October 2021. In no way whatsoever does this transaction directly affect either the equity, the income statement, or the cash situation.

Finally, the Group gave the opportunity to its employees to subscribe to a shareholding offer reserved solely for Group employees (Employee Share Plan 2021 or "ESP 2021"). This offer is addressed to Group employees in France and abroad, taking into consideration the contribution covered by the Group and an agreed discount of 30% on the sale share price. On 9 November 2021, the Chief Executive Officer of the Group recorded, the completion of the capital increase linked to this employee shareholding offer for an amount of €9.8 million corresponding to the issuance of 1,365,343 new shares. Following this offer, on the grant date, 97.8% of eligible employees became Group shareholders.

Macroeconomic environment

The current macroeconomic environment is particularly deteriorated by inflationary trends (in particular the increase in energy costs), and by the situation in Ukraine.

The Group has several key assets in this inflationary dynamic:

- OVHcloud operates according to a vertically integrated model, which gives it control of its value chain;
- the Group has set up two interest rate swaps (exchanging the variable rate of the term loan for fixed rates) (Note 4.19) enabling it to limit the risk induced by interest rate fluctuations;
- the Group uses forward foreign exchange contracts (Note 4.20) to limit its exposure to potential fluctuations in exchange rates;
- the Group obtains its supplies through forward purchases of electricity contracts, at a fixed or indexed price, in order to reduce its exposure to the risk of an increase in the purchase price of energy. OVHcloud has also entered into an energy purchase agreement with the EDF Renewables group, providing for the provision by EDFR of electricity from an agrivoltaic park, for the exclusive benefit of the Group. OVHcloud plans to consume 100% of the green energy produced by this park, from January 2025, representing around 25% of the current annual electricity needs in France. This contract provides long-term visibility of the price of the electricity to be supplied (Note 5).

With regard to the current geopolitical situation between Russia and Ukraine, the Group is constantly monitoring its domestic customers in Russia, Belarus and Ukraine. In this context, the Group is rigorously complying with all regulations in force. Furthermore:

- revenue generated in Russia, Belarus and Ukraine represents approximately 1.5% of the Group's revenue as at 31 August 2022;
- the Group does not have any employees in Ukraine, Russia or Belarus;
- the Group has no service providers (individuals) based in Ukraine;
- it has no infrastructure in these three countries;
- there is no material risk of recovery of receivables due at 31 August 2022.

Strasbourg incident

On the night of 9 to 10 March 2021, a fire broke out in one of the four OVHcloud data centres in Strasbourg, France. As electricity power supplies had to be cut, all the site's data centre operations were shut down. The data centre in which the fire broke out was destroyed and a second data centre was dismantled. No human or bodily injury was reported but several thousand customers were affected by the interruption and a certain number lost data with many not having opted for a backup solution as proposed by the Group.

As a commercial gesture,the Group notably issued vouchers to customers whose services were affected, allowing them to receive free services for a period of 24 months, for a maximum amount of €27.8 million, of which €25.4 million had been used at 31 August 2022 and €1.2 million had not yet expired at 31 August 2022 (€20.0 million had been used at 31 August 2021).

The total cost of appraisal costs, procedural costs and customer claims has not changed since 31 August 2021. At 31 August 2022, the balance of the provision was €24.5 million.

5

Acquisition of ForePaaS

On 20 April 2022, the OVHcloud Group acquired 100% of the shares of ForePaaS, a unified French platform specialising in data analytics, machine learning and artificial intelligence projects for companies, for a purchase price of €17.8 million, fully paid in cash. The purchase agreement also provides for a contingent earn-out clause of a maximum of €4.6 million, based on the achievement of operational targets. The purchase price allocation will be carried out within 12 months following the acquisition, as provided for by IFRS 3, amended.

2.2 Events after the reporting period

No significant events are to be reported.

Note 3 Significant accounting policies used in the consolidated financial statements

3.1 Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), as adopted by the European Union on 31 August 2022.

New standards, amendments and interpretations with mandatory application from 1 September 2021

In April 2021, the IASB confirmed the position taken by the IFRIC in March 2021 following its tentative decision of December 2020 with regard to the accounting treatment of costs of configurating and customising software made available by a supplier as part of a SaaS (Software-as-a-Service) type contract. The IFRIC agenda decision indicates, in application of IAS 38, that the costs must be recognised as expenses and not as intangible assets when the entity does not control the software and that the customisation/configuration activities do not generate a resource controlled by the customer, distinct from the software.

Pursuant to this decision, certain SaaS software configuration and customisation costs, which had previously been capitalised, were restated on 1 September 2020 to offset shareholders' equity for an amount of €4.8 million before tax (€3.2 million net of tax).

Other new standards not applicable at 1 September 2021 or not applied early

The Group has not applied any standards that are not applicable at 1 September 2021 in advance.

3.2 Consolidation methods

Subsidiaries

The subsidiaries over which OVH Groupe SA exercises its control are all entities controlled directly or indirectly by OVH Groupe SA The Group has control of an entity when it is exposed or entitled to variable returns as a result of its participation in the entity and has a significant influence.

The assets, liabilities, income and expenses of subsidiaries are consolidated from the date on which the Group takes control. They are deconsolidated from the date of loss of control.

The balances of statements of financial position and transactions, and income and expenses resulting from intra-group operations, are eliminated in the preparation of the consolidated financial statements.

Interests in associates

Associates are entities in which the Group exercises significant influence over financial and operating policies without having control or joint control. Significant influence is presumed to exist when the Group directly or indirectly holds more than 20% of the voting rights of another entity.

Interests in associates are accounted for using the equity method.

The results, assets, and liabilities of associates are included in the consolidated financial statements using the equity method. The Group's share in the net income of associates is recognised on a separate line under "Share of profit of associates" in the consolidated income statement.

The Group's interests in these entities are recognised based on the acquisition cost (including acquisition-related costs), adjusted for the Group's share in the comprehensive income of the associate and reduced, where applicable, by any impairment losses.

Gains arising from transactions with entities consolidated under the equity method are eliminated through consideration of investments in associates to the extent of the Group's interest in the company. Losses are eliminated in the same way as gains, but only to the extent that they do not represent an impairment loss.

The Group has chosen to recognise under equity attributable to owners of the parent company, the effects of dilutions recorded in the financial statements of associates in connection with changes in the percentage of ownership held in their own subsidiaries.

When the Group's share in the losses of an associate is greater than its interest in it, the carrying amount of investments in associates is reduced to zero and the Group ceases to recognise its share of subsequent losses, except to the extent that it has a legal or constructive obligation towards the associated company or has made a payment on its behalf.

The list of companies consolidated under the equity method is presented in Note 5.

3.3 Foreign currency translation

The consolidated financial statements are presented in euros, the functional currency of the Group, unless otherwise indicated.

Translation of the financial statements of foreign subsidiaries

The financial statements of each of the consolidated companies of the Group are prepared in their own functional currency, meaning the currency of the main economic environment in which they operate, and which generally corresponds to the local currency. All their financial transactions are then valued in this local currency.

The financial statements of consolidated entities with a functional currency other than euros are translated using the closing rate method:

- Assets and liabilities, including goodwill and fair value adjustments in the context of acquisition accounting, are converted into euros at the closing rate;
- Income statement and cash flow items are converted into euros at the average rate of the period, in the absence of a significant change during the period.

All translation differences resulting from the consolidation of foreign subsidiaries are recognised as other comprehensive income that can be recycled to profit or loss on the line "Translation differences" and recorded under "Translation reserves" under consolidated equity. When a foreign entity is sold, the cumulative amount of the translation differences under equity relating to this entity is recognised in the income statement.

Translation of foreign currency transactions

Transactions denominated in foreign currencies are converted into the respective functional currencies of the Group companies by applying the exchange rate applicable on the date of the transaction.

At closing, monetary assets and liabilities are converted at the closing exchange rate. The resulting translation differences are recognised in profit or loss and presented in other financial income and expenses, with the exception of translation differences relating to long-term intra-group receivables and payables (the settlement of which is neither planned nor probable in the foreseeable future), which are essentially part of the Group's net investment in foreign operations, which are recognised, in accordance with IAS 21, in translation differences in comprehensive income.

3.4 Use of significant judgements and estimates

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the amounts of assets, liabilities, income and expenses and information provided in the notes to the consolidated financial statements.

Due to the inherent uncertainty of all measurement processes, these estimates are reviewed on a regular basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and for any relevant future periods.

The preparation of the consolidated financial statements requires the use of estimates and assumptions that may affect the amounts of assets and liabilities at the reporting date, as well as the items in the income statement or income and expenses directly recognised in equity for the period. These estimates take into account economic data and assumptions likely to vary over time and interpretations of local regulations, if applicable. They are notably made in the still uncertain economic and health context of the global Covid-19 pandemic and the Ukraine situation. These estimates include a number of uncertainties, and concern mainly:

- The effects of the Strasbourg fire of March 2021, including:
  - The granting of vouchers to certain customers so that they can benefit from free services. Vouchers are deducted from revenue as the services are provided by the Group to customers,
  - Customer claims to which OVHcloud has been and could continue to be subject, alleging the existence of damages as a result of the fire, in particular claims for damages and for interruption of services or loss of data. In this respect, a provision was recognised in the financial statements at 31 August 2021 and updated at 31 August 2022 according to the transactions already signed and several judgements rendered. This provision is intended to cover all the effects of the incident in respect of appraisal costs, procedural costs and customer claims;
- The impairment tests on property, plant and equipment, intangible assets and goodwill: main assumptions underlying recoverable amounts (Notes 3 and 4.12);
- The measurement of the value of property, plant and equipment (Note 4.11);
- Development costs: measurement of development costs recognised as intangible assets (Note 4.10);
- Lease liabilities and right-of-use: estimates of the lease term and the incremental borrowing rate used when the implicit rate is not identifiable in the lease (Note 4.23);
- Recognition and measurement of deferred tax assets: probability of future taxable profits sufficient to use them (Note 4.9);
- As part of the acquisition of equity interests, the measurement of earn-outs, recognised in personnel expenses or included in the acquisition price according to their characteristics.

Moreover, OVHcloud's management team exercised its judgement to estimate the climate and environmental risks and issues.

Over several periods, the Group has undertaken to carry out actions enabling it to mitigate the effects of its activities on the environment, notably:

- Its commitment to contribute to global Net Zero by 2030 across all scopes 1, 2 and 3, by changing certain choices in terms of investments related to its business, notably in terms of energy (target of using 100% low carbon energies by 2025) and water consumption. The Group has developed the water-cooling technology in its data centres. This technology combines water-cooled servers with air-cooled data centres, thereby removing the need for air conditioning, which has significant environmental and cost benefits;
- Optimisation of the use of reconditioned components. This reverse supply chain allows the Group to better recycle components, and give them a second or even a third life. Servers are designed to be entirely dismantled. They are equipped with dedicated components, chosen to be easily reused, recycled and repaired. In 2022, the reused components rate was 25%;
- The implementation of long-term energy purchase contracts (Note 5);
- Its target of zero waste to landfill from production centres by 2025.

These actions did not lead the Group to change its accounting treatment, judgements or estimates at 31 August 2022.

3.5 Significant accounting policies

The significant accounting policies applied by the Group to prepare its consolidated financial statements are as follows:

Business combinations

Business combinations are recognised in accordance with IFRS 3 (amended), “Business combinations”, according to the acquisition method when all acquired elements meet the definition of a company whose control has been transferred to the Group.

Identifiable assets acquired and liabilities assumed as part of a business combination are, with some exceptions, initially measured at their fair value at the date of acquisition. The Group recognises any non-controlling interest in the acquired entity either at fair value or in proportion to the net identifiable assets of the acquired entity.

Costs directly attributable to the acquisition are recognised in other non-current operating expenses in the period in which they are incurred.

5

Goodwill resulting from a business combination is measured as follows:

- the fair value of the consideration transferred for an acquired business;
- increased by the amount of non-controlling interests in the acquiree;
- increased by the fair value of any pre-existing investment in the subsidiary; and
- less the net fair value of the identifiable assets acquired and liabilities assumed at the date of acquisition.

Estimates of the consideration transferred and the fair value of the assets acquired and liabilities assumed are finalised within twelve months of the acquisition date. Adjustments are recognised as retroactive adjustments to goodwill if they reflect conditions prevailing on the acquisition date. Beyond this twelve-month period, any adjustment is recognised directly in the income statement.

When the payment of part of the cash consideration is deferred, the future amounts to be paid are discounted to their present value at the date of the acquisition of control. The discount rate used is the entity's incremental borrowing rate, meaning the rate at which similar borrowings could be obtained from an independent source of financing on comparable terms.

Earn-outs are initially recognised at their fair value. Earn-outs that meet the definition of financial liabilities are then remeasured at fair value and subsequent changes in fair value are recognised in profit or loss.

Other intangible assets

Other intangible assets mainly include patents, licences, intellectual property, IP blocks [(1)], IT software, customer relations and development costs. They are initially recognised:

- in the event of acquisition: at their acquisition cost;
- in the event of a business combination: at their fair value at the date of the acquisition of control;
- in the case of internal production: at their production cost for the Group.

Other intangible assets are recorded in the statement of financial position at their initial cost less accumulated amortisation and any impairment losses recorded.

Research and development expenses

Research and development expenses include the costs of technical activities, intellectual property, teaching and transmission of fundamental knowledge to ensure the development, manufacture, implementation and marketing of new or continuously improving technologies and software.

Development costs must be capitalised if, and only if, they meet the following restrictive criteria defined by IAS 38 "Intangible assets":

- the project is clearly identified and the related costs are individualised and reliably monitored;
- the technical and industrial feasibility of the project is proven;
- there is an intention to complete the project and use or market the intangible asset resulting from the project;
- the Group has the ability to use or sell the intangible asset resulting from this project;
- the Group can demonstrate how the developed project will generate future economic benefits;
- the Group has adequate technical, financial and other resources to complete the project and to use or sell the intangible asset resulting from the project.

When these conditions are not met, development costs incurred by the Group are recognised as expenses in the period in which they are incurred.

Research expenses are recognised as expenses in the period in which they are incurred.

Technologies and software developed in-house

Development costs of technologies and software are recognised as intangible assets when specific conditions, related to technical feasibility, prospects for marketing and profitability are met in accordance with IAS 38 "Intangible assets". Technological and economic feasibility is generally confirmed when the project development of a product or commercial solution has reached a defined milestone according to an established project management model. Development costs include the costs incurred in the execution of development activities, meaning salary costs allocated to development activities and the cost of external service providers.

In the case of software, the Group considers that only internal and external development expenses related to organic analysis, programming, testing and user documentation costs may be capitalised, providing that the other conditions of IAS 38 "Intangible assets" are complied with.

All other research and development expenses are recognised in profit or loss as they are incurred. Research and development expenses (whether capitalised or not) are mainly made up of personnel expenses (including salaries, bonuses, benefits and travel expenses) as well as fees of subcontractors integrated in the project teams that add new functionalities to OVHcloud's existing offerings, develop new offerings, ensure reliable performance of its global cloud platform, and manage and develop internal IT systems and infrastructures. The Group presents an aggregate amount of research and development expenses for 2021 and 2022 in Note 4.10.

1) An IP block allows a customer to associate equipment on its internal network with a public IP address. This includes eight IP addresses in total, five of which the customer can associate with its machines and services. The Group's IP addresses can be used with no lifetime limit, given the absence of expiry of the asset.

Depreciation periods

The main useful lives of the various categories of intangible assets are as follows:

	Depreciation method	Depreciation period
Technologies and software developed in-house	Straight-line	3 to 10 years
Customer relations	Straight-line	2 years
Softwares	Straight-line	1 to 8 years
Patents and licences	Straight-line	1 to 3 years
IP blocks	Not amortised	Undetermined

Software is amortised from the effective operational start of its use (in batches where applicable).

Depreciation is recognised on the depreciation and amortisation line. Any impairment losses recognised are shown in the income statement under "Other non-current operating expenses" if they correspond to their definition (Note 4.7).

Property, plant and equipment

Property, plant and equipment are valued at their acquisition or production cost less accumulated depreciation and any impairment losses recognised, by applying the component approach provided in IAS 16 "Property, plant and equipment".

Depreciation of property, plant and equipment is determined on a straight-line basis over the useful life of the asset from the date of commissioning.

When the recoverable amount of non-current assets becomes less than their net carrying amount, an impairment loss is recognised.

The Group monitors its non-current assets by component with different useful lives. These components include the CPU-GPU processors, the RAM memory, the motherboard, and the hard drive.

New components are installed within a server, then reinstalled in other servers, as the Group has a model to produce its servers. These components, for which the Group's use exceeds one year, are recorded in accordance with IAS 16 "Property, plant and equipment".

The components can be successively installed on several servers during their use. The components are recognised as non-current assets in progress until the date of commissioning of the server which corresponds to the date of its availability for marketing. Once the server has been set up, it is transferred to "IT equipment". The starting date of depreciation coincides with the service commencement date. When a component is reinstalled it is remeasured at its fair value.

The main useful lives of the various categories of property, plant and equipment are as follows:

	Depreciation method	Depreciation period
Buildings	Straight-line	10 to 30 years
Materials and tools	Straight-line	5 to 10 years
Infrastructure equipment and facilities	Straight-line	10 years
Vehicles	Straight-line	4 years
Network equipment	Straight-line	5 years
Server components and IT equipment	Straight-line	3 to 5 years
Furniture	Straight-line	10 years

Capital gains and losses on disposals and retirement of property, plant and equipment are included in "Other operating income or expenses" if they are significant and unusual.

Impairment of goodwill and non-current assets

The carrying amounts of goodwill, intangible assets with indefinite useful lives and assets under construction are tested for impairment at least once a year, when events or changes in circumstances indicate that they must be impaired. Other intangible assets and property, plant and equipment (including right-of-use assets in accordance with IFRS 16 "Leases") are tested for impairment only when there is an indication of loss of value.

For the purposes of impairment testing, assets to which it is not possible to directly relate independent cash flow are grouped together in the cash-generating unit (CGU) to which they belong, defined by IAS 36 "Impairment of assets" as being the smallest asset group for which there are identifiable independent cash flow. Goodwill is thus allocated to the CGU which should benefit from the synergies of the associated business combination.

There are four CGUs within OVHcloud Group, which reflect the smallest groups generating independent cash inflows: Baremetal and Hosted Private Cloud (these two CGUs are included in the Private Cloud segment), Public Cloud and Web Cloud & Other.

When the carrying amount of a CGU is greater than its recoverable amount an impairment loss is recognised in other non-current operating expenses after having been allocated in the first instance to the carrying amount of any goodwill allocated to it, if applicable.

Unlike those relating to other assets, goodwill impairment losses are definitive and cannot be reversed in profit or loss at a later date.

The recoverable amount of the CGUs is the higher of the fair value net of disposal costs and the value in use, which corresponds to the present value of future cash flow generated by the use and disposal of assets.

To calculate the recoverable value the Group has used a method based on the discounting of future cash flow.

Cash flow from the budget approved by the Group's Board of Directors for the period following the current period. Cash flow subsequent to this period are extrapolated over an 8-year period by applying a perpetual growth rate according to market growth forecasts. The assumptions used to generate these projected cash flow are based on economic growth assumptions defined by Group management and are consistent with past performance.

Cash flow is discounted at the weighted average cost of capital (WACC) of the segment for each CGU.

The recoverable amount is sensitive to the discount rate used as well as the expected future cash flows and the growth rate used for extrapolation purposes. The main assumptions used to determine the recoverable amount of the various CGUs, including a sensitivity analysis, are presented and explained in more detail in Note 4.12.

Leases (as lessee)

A contract or part of a contract is or contains a lease if it grants the right to control the use of an identified asset for a certain period, in exchange for a consideration.

The Group recognises a right-of-use asset and a lease liability on the effective start date of the lease.

The right-of-use asset is initially measured at cost, which includes the initial amount of the lease liability adjusted for lease payments made on, or before the effective date, plus the initial direct costs incurred to enter into the lease, and an estimate of the potential costs of dismantling or restoring the leased asset according to the terms of the lease. It is subsequently depreciated in accordance with IAS 16 “Property, plant and equipment” using the straight-line method from the effective start date over the term of the lease, corresponding to the non-cancellable term of use of the asset after taking into account the renewal or termination options, if their exercise is reasonably certain by the Group’s management. In addition, the right-of-use may be subject to impairment in accordance with IAS 36 “Impairment of assets” as part of the annual impairment test.

The lease liability is initially measured at the present value of future rents. The discount rate used corresponds to the interest rate implicit in the lease or, if it cannot be easily determined, the incremental borrowing rate (based on terms and not maturities). In practice, the latter rate is generally used.

In the absence of an implicit interest rate in the leases, the Group determines its incremental borrowing rate based on the interest rates granted by various sources of external financing obtained by the Group and makes certain adjustments to take into account the conditions of the lease and the type of asset leased. The calculation of the discount rate requires estimates, specifically for the credit spread added to the risk-free rate, to consider the specific economic environment of the lessee company.

The lease liability is then increased by the interest expense and reduced by the amounts of rent paid, in accordance with the effective interest rate method. It is revalued in the event of a change in future rents following a change in index or rate, or, where applicable, in the event of a revaluation by the Group of the exercise of a purchase option or a termination option.

Payments relating to leases included in the scope of IFRS 16 “Leases” are recognised in the net cash flow from financing activities in the consolidated statement of cash flows, broken down between the repayment of the principal of the lease liability and the implicit interest payment (included in “Financial interest paid”).

The Group has taken the option not to restate leases with a term of less than or equal to one year or for low-value assets ($5,000). The rental expense is recognised under “Operating expenses”, and the paid-out part is presented in the net cash flow from operating activities, in the consolidated statement of cash flows.

The Group has identified five main categories of leased assets, details of which are provided in Note 4.23:

- Offices: various offices leased by the Group in the countries where it operates;
- Data centers: these contracts mainly concern the rental of workshops and data warehouses.
- Networks: these contracts mainly concern network IT equipment lease;
- Points of Presence (POP): leased sites within infrastructures owned by third parties that the Group uses to establish the interconnections of its networks;
- Other: these contracts mainly concern vehicles, power generators and other equipment used in its operations.

The application of IFRS 16 “Leases” gives rise to the recognition of deferred tax, calculated on the basis of the value of the right-of-use, net of the corresponding lease liability.

Determination of the term of leases with renewal and termination options:

The judgement and estimates were required to determine the exit dates of the leases given the termination or renewal options provided in certain leases. In general, this concerns renewal options, which the Group is reasonably certain to exercise based on the evidence.

Renewal terms have been taken into account for network leases (five years renewable for a further 24-year term) and POP “Point of Presence” leases (one to 15 years renewal for a further 12-month term). These renewals are in accordance with assessment elements and any economic incentives related to the leases (such as the low level of related fittings, or de-installation costs and possible service cuts, if applicable). With regard to property leases, the assessment was made according to the location of the property (France or abroad) and whether or not it has a strategic nature, as well as the recent nature of the main leases signed by the Group. In France, most real estate leases are so-called “3, 6, 9” commercial leases; in general, a total period of nine years has been used and considers the Group’s analysis in terms of penalties and economic incentives such as related investments or moving costs, or the contractual penalties provided for in the leases, in accordance with the interpretation of the IASB Interpretation Committee and the statement of conclusions of the ANC.

In particular, non-removable fixtures are not significant and have a useful life similar to the residual term of the leases.

The other main leases generally have terms as follows, determined in accordance with the principles mentioned above:

- Offices located outside France: between 1 and 10 years;
- Data centers (duration depending on the country): between 1 and 40 years

The leases on certain data centres may be relatively short in order to deal with the Group's growth, and thus be able to quickly change or increase space as needed.

- Power generators: 3 years;
- Vehicles: 3 years.

At the end of each reporting period, the Group reassesses the term of the lease in the event of a significant event or change of circumstances that would affect its ability to exercise, or not, the option of renewal or termination.

Trade receivables and other operating receivables

On initial recognition, trade receivables are recognised at their transaction price within the meaning of IFRS 15 "Revenue from contracts with customers" and then at amortised cost which generally corresponds to their nominal value. Impairment losses are recognised for the expected credit losses over the life of the asset: the Group applies the simplified approach in this calculation for receivables and leased assets as well as receivables related to leases under IFRS 16 "Leases" (mainly income from dedicated servers and dedicated cloud).

The Group has set up a provisioning matrix based on its credit loss history, adjusted for forward-looking factors specific to debtors and the economic environment, where applicable.

Provisioning rates are based on days of arrears for customer groups by geographic area of the end customer.

The provisioning matrix is initially based on the Group's observed historical default rates. At each reporting date, the historical default rates observed are updated.

Information on impairment of the Group's trade receivables is presented in Note 4.14.

Cash and cash equivalents

This item includes cash (current bank accounts) and cash equivalents corresponding to term deposits with a maturity of less than three months, highly liquid, easily convertible into known cash and which are subject to a negligible risk of change in value.

Financial instruments

The Group has classified its financial instruments as follows:

- Trade receivables, deposits, guarantees and other loans in financial assets at amortised cost (Notes 4.13, 4.14 and 4.15);
- Shares in non-consolidated entities in financial assets at fair value through profit or loss or OCI (Note 4.18);
- Borrowings and other financial debt at amortised cost using the effective interest rate method – EIR (Note 4.17);
- Derivative assets and liabilities at fair value through profit or loss, with the exception of derivatives classified as cash flow hedges (Note 4.19).

Derivatives

The Group holds derivatives to hedge foreign exchange risk and interest rate risk.

Derivatives are recognised at their fair value in the statement of financial position. Changes in fair value are recognised in other financial income and expenses unless they are eligible for hedge accounting.

The Group designates certain derivatives as cash flow hedging instrument in order to hedge the variability of cash flow related to highly probable forecast transactions resulting from changes in exchange rates and interest rates. When establishing a designated hedge relationship, the Group documents its risk management target and the hedge implementation strategy. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether changes in the cash flow of the hedged item and the hedging instrument are expected to offset each other.

Cash flow hedge

The Group's hedging instruments are currency swaps and forward currency purchases that are set up in order to hedge changes in the price of future purchases of electronic components against foreign exchange risk. The loans and financial debt hedged by interest rate swaps are subject to hedge accounting.

When a derivative is designated as a cash flow hedge, its initial value and the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the hedge reserve.

The effective portion of the change in the fair value of the derivative recognised in other comprehensive income is limited to the cumulative change in the fair value of the hedging item as soon as the hedge is in place. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in other financial income and expenses.

The Group has chosen not to separate out the carry-forward component of forward currency purchases as hedging costs.

When the expected hedged transaction results in the recognition of a non-financial item such as non-current assets, the amount accumulated in the hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

Current and non-current provisions

A provision is recognised when the Group has a legal or implicit obligation towards a third party and it is probable or certain that it will result in an outflow of resources for the benefit of said third party. The amount recognised as a provision by the Group must be the best estimate of the expenditure necessary to settle the current legal or implicit obligation towards a third party at the closing date. Provisions mainly consist of provisions for litigation with subcontractors, customers, co-contractors or suppliers. The Group identifies, assesses and finances each risk relating to claims, in conjunction with its legal advisors, on the basis of the best estimate of the risk incurred.

Commitments resulting from restructuring plans are recognised when detailed plans have been drawn up and implementation has started, or an announcement has been made.

Employee benefits

Post-employment defined-contribution plans correspond to general and special social security plans in France and to plans in Canada and the United States. The contributions to be paid are recognised as expenses when the corresponding service is rendered.

Post-employment defined-benefit plans mainly correspond to retirement benefits in France. Defined-benefit obligations are calculated annually by a qualified actuary using the projected unit credit method. These obligations are not financed by external management. The liabilities and costs of defined-benefit pension plans are determined using actuarial valuations, estimated on the basis of assumptions made, in particular in terms of discount rates, expected salary inflation and mortality rates.

Remeasurements of the defined-benefit liability (actuarial gains and losses) are recognised immediately in other comprehensive income. The Group determines the interest expense by applying the discount rate to the liabilities and the cost of services as determined at the beginning of the year. This liability is adjusted, where applicable, for any change resulting from the payment of benefits during the period.

The Group recognises all interest expenses related to defined-benefit pension plans in other financial expenses. The other costs are included in personnel expenses.

There are no other significant long-term employee benefits.

Share-based payments

Some Group employees or corporate officers receive compensation in the form of share-based payments, under which services are provided in consideration for equity instruments (equity-settled transactions) and cash-settled instruments (cash-settled transactions).

Equity-settled transactions

The free shares granted by the Group to French employees or corporate officers are equity-settled transactions. These are detailed in Notes 4.24 and 4.4.

The grant date fair value of these share-based, equity-settled payment agreements is recognised as an expense, with a corresponding increase in equity over the vesting period, using the gradual rights acquisition method and as the free shares are acquired in tranches. The amount recognised as an expense is adjusted to reflect the number of rights for which the associated service conditions will be met, so that the final amount recognised is based on the actual number of rights that meet the corresponding service conditions at the vesting date of said rights.

In addition, some employees or corporate officers had the opportunity to invest in a holding company owning shares in OVH Groupe SAS before its initial public offering. As these investments in ordinary shares were made *pari passu*, at the fair value of the shares, and settled in equity, no expense was recognised in the statement of comprehensive income in accordance with IFRS 2 “Share-based payments”.

Finally, the Group gave the opportunity to its employees to subscribe to a shareholding offer reserved solely for Group employees (Employee Share Plan 2021 or “ESP 2021”). This offer is addressed to Group employees in France and abroad, taking into consideration the contribution covered by the Group and an agreed discount of 30% on the sale share price. The grant date fair value of this share-based, equity-settled payment agreement (which takes into account the matching contribution and 30% discount granted on the share price) is recognised as an expense, with a corresponding increase in equity.

Cash-settled transactions

Instruments linked to shares granted by the Group to foreign employees (“phantom shares”) are share-based payments settled in cash.

A liability is recognised for the fair value of cash-settled transactions. Fair value is measured initially and at each closing date, up to and including the settlement date, with changes in fair value recognised in personnel expenses. The fair value is recognised as an expense over the vesting period with the recognition of a corresponding liability. The approach used to consider the vesting conditions in the valuation of equity-settled transactions also applies to cash-settled transactions (Note 4.24).

Free shares and phantom shares are valued at their fair value on the allocation dates. This fair value is based on the fair value of an ordinary share less the present value of the estimated future dividends and the best estimate of the percentage of employees who will meet the vesting conditions (a percentage estimated by management).

The assumptions used to estimate the fair value of share-based payment transactions are presented in Note 4.24.

Fair value measurement

The Group measures derivatives and shares of non-consolidated entities at fair value at each reporting date and provides information on the fair value of all financial instruments.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability as part of an orderly transaction between market participants at the measurement date. The methods used to measure the fair value of financial instruments are classified according to the following three levels of fair value:

- **Level 1**: fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2**: fair value measured using data other than quoted prices in active markets, observable either directly (prices) or indirectly (derived data);
- **Level 3**: fair value data for the asset or liability that are not based on observable market data (unobservable inputs).

Further information is provided in Note 4.18.

Current and non-current classification

The Group presents assets and liabilities in the statement of financial statement according to their classification as current/non-current.

An asset is classified as current when:

- it is expected to be realised or is intended to be sold or consumed in the normal operating cycle;
- it is held primarily for trading purposes;
- it should be completed within twelve months of the reporting period; or
- it is cash or cash equivalent, unless restricted by exchange or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for trading purposes;
- it is expected to be settled within twelve months of the reporting period; or
- there is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

All other assets and liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Income recognition

Income is recognised when control of the promised good or service (product) is transferred to a customer for an amount reflecting the consideration to which the Group expects to be entitled in exchange of this product.

The Group has determined that the contracts do not include a significant financing component since the period between the payment date and the performance period for the service is less than one year. Payments received before the transfer of control of the good or service are recognised in deferred income.

The Group's income is classified as follows:

Cloud computing services

Income from the sale of cloud computing services consists of revenue related to the Private Cloud (including the Baremetal and Hosted Private Cloud activity) and Public Cloud (including Public Cloud and Virtual Private Servers or VPS), often sold with associated support services and additional services such as storage.

The provision of dedicated servers and dedicated clouds corresponds to rental components according to IFRS 16 "Leases", which are generally classified as operating leases. As a result, rents are recognised on a straight-line basis over the lease term.

Almost all lease income recognised under IFRS 16 "Leases" is generated in the Private Cloud operating segment.

Other services, outside the Private Cloud operating segment fall within the scope of IFRS 15 "Revenue from contracts with customers". Income from other services is recognised over the life of the contract to the extent that customers simultaneously receive and consume the benefits provided by the entity's ongoing execution of the services. In general, since services are generally invoiced monthly, and the Group has the right to invoice customers at an amount representative of its performance on the invoicing date, it recognises income as the amount invoiced.

Information on the Group's activities is detailed in Note 4.1.

Web communication services

The Group provides domain name registration and hosting services.

Domain name income are related to the registration and renewal of domain names. They are recognised when ownership of the domain name is transferred to the buyer.

Income from hosting services mainly includes website hosting, website security and online visibility services. Payment of the price of the transaction is initially recognised in deferred income upon receipt, generally at the time of the order. Then, income is recognised in a straight-line over the period during which the performance obligations are satisfied, which generally means the period of the contract insofar as the customers simultaneously receive and consume the benefits of the services as the entity executes the contract.

Business applications

Income from business applications consist mainly of third-party productivity applications, email accounts, email marketing tools and telephony solutions. Payment of the price of the transaction is initially recognised in deferred income upon receipt, generally at the time of the order. Income is subsequently recognised in a straight-line over the period during which the performance obligations are satisfied which generally means the period of the contract insofar as the customers simultaneously receive and consume the benefits of the services as the entity executes the contract.

Definition of contracts, performance obligations and other assessments

Framework agreements have been signed with certain major customers. They generally do not include minimum purchase commitments or significant termination penalties. In addition, no significant up-front payment is made. As a result, the contracts, meaning each purchase order associated with the framework agreement, generally have a duration of less than one year and consequently, the information relating to the remaining performance obligations to be fulfilled (the order book) is not provided.

Cloud computing contracts may include several performance obligations (for example, different types of servers, support services and additional services), the contractual prices of which correspond to their individual selling prices (no material issue with the allocation of the transaction price between the different performance obligations) and which are generally recognised on an ongoing basis with a similar performance profile. Most other contracts, notably contracts related to domain names and ADSL, generally include single performance obligations.

Contract assets are not significant. Contract liabilities (deferred income) are included in other current debts and liabilities and other non-current liabilities.

The costs of obtaining contracts are not significant, nor are the costs related to the execution of contracts (set-up costs).

Agent/principal treatment

Whether income is recognised depends on whether the Group qualifies as an agent or principal.

The Group integrates technologies that may be developed by third parties in its service offering. The Group obtains from these third parties a right of use or access to these technologies and the related economic benefits, and may set the related sales prices. The Group thus, acts as principal for all its performance obligations.

Loyalty points programme

The Group has a loyalty points programme which allows customers to accumulate points that can be used to qualify for free services. Loyalty points give rise to a separate performance obligation insofar as they confer a significant right on the customer.

A portion of the transaction price is allocated to loyalty points awarded to customers based on their individual selling price and recognised in deferred income (contract liabilities) until the points are redeemed. Income is recognised as points are used by the customer.

Tax credits

The Group applies the treatment of public subsidies to recognise tax credits, such as the French apprenticeship tax credit, family tax credit, corporate sponsorship tax credit and research tax credit. Under this approach, tax credits are recognised when there is reasonable assurance that the assistance will be received and that the Group will meet all relevant conditions. Under this method, tax credits related to operating expenses are recorded as a reduction of the related expenses and recognised during the period in which the expenses are recognised to the income statement. Tax credits related to capital expenditure are recognised as a reduction in the cost of the corresponding assets. The tax credits recognised are based on management's best estimates of the amounts to be received.

Income tax

Income tax expense

The income tax expense presented in the income statement includes current and deferred tax. It is recognised in profit or loss unless it is related to a business combination or items recognised directly in equity or in other comprehensive income.

Tax assets and liabilities are offset if certain criteria are met.

The CVAE (French corporate tax on added value) is recognised in income tax.

Current taxes

Current tax includes the estimated amount of tax due (or receivable) in respect of taxable income for a period and any adjustment to the amount of tax payable for prior years.

The amount of current tax due (or receivable) is determined on the basis of the best estimate of the amount of tax that the Group expects to pay (or receive) due to any uncertainties that may arise. It is calculated on the basis of the tax rates that have been adopted or quasi-adopted at the reporting date.

The Group has two tax consolidation groups: France and the United States.

Deferred tax

Deferred tax are recognised on the temporary differences between the carrying amounts of assets and liabilities and their tax values (subject to exceptions). They are calculated on the basis of the most recent tax rates enacted or substantively enacted at the reporting date, the application of which is expected over the period during which the asset will be realised, and the liability settled.

Deferred tax liabilities are always recognised, subject to specific exceptions.

Deferred tax assets are recognised in respect of deductible temporary differences, unused tax losses and unused tax credits only to the extent that it is probable that the Group will have future taxable profits against which they can be offset. This being assessed according to the business plan of each of the Group's subsidiaries (budget and medium-term plan), the probable timing and level of future taxable profits, as well as future tax planning strategies.

Uncertain tax treatments

An "uncertain tax treatment" is a tax treatment for which there is uncertainty as to whether the relevant tax authority will accept the tax treatment under tax legislation.

If the Group concludes that it is likely that the tax authorities will accept an uncertain tax position, all items relating to taxes (taxable income, tax bases, tax rates, tax losses carried forward, tax credits, taxes) will be determined in accordance with this position.

If the Group concludes that acceptance by the tax authorities is not likely, this uncertainty will be included in the calculation of the items relating to taxes and will result in the recognition of a tax liability.

For the period ended 31 August 2022, this tax liability was recognised as deferred tax.

Other non-current operating income and expenses

Other non-current operating income and other non-current operating expenses are defined as being limited in number, clearly identifiable, unusual, and having a significant impact on the consolidated results, meaning that they affect the understanding of the Group's current performance.

The classification applies to the significant items of income and expenses that are unusual in terms of nature and frequency such as certain expenses related to restructuring costs approved by management, consolidation costs related to business combinations, and certain capital gains or losses related to changes in the scope of consolidation and, at 31 August 2021 and 2022, to non-current income and expenses directly related to the Strasbourg incident as well as capital gains or losses on asset disposals, certain scrappping or revaluations of assets related to internal restructuring or overhauls of industrial processes.

Acquisition costs included in non-current operating expenses correspond in particular to acquisition costs relating to consulting and due diligence costs.

Note 4 Notes to the consolidated financial statements

4.1 Segment information

In accordance with IFRS 8 "Operating segments", the Group has identified three operating segments: Private Cloud, Public Cloud and Web Cloud & Other. Segment information is presented by activity, compliant with the Group's internal reporting structure.

Presentation

Private Cloud

The Private Cloud offers services and solutions that are hosted on resources dedicated to customers. This service offer mainly consists of:

- **Baremetal:** dedicated solution administered entirely by the customer according to their needs and without constraints because they are the only user. The uses of a Baremetal solution are multiple: big data, machine learning, hosting of websites and web applications, storage and back-up, infrastructure virtualisation, server clusters, business applications (CRM, ERP) or online game hosting;
- **Hosted Private Cloud:** dedicated solution managed by OVHcloud Group, integrating VMWare virtualisation technology. The Hosted Private Cloud offer is particularly suitable for hosting strategic sensitive data such as health or financial data.

Public Cloud

The Public Cloud is a range of cloud solutions that are billed per use, based on open standards (OpenStack, Kubernetes). Resources, such as computing power or storage, as well as the physical infrastructure that provides them, are pooled, meaning they are shared between the users of the cloud services provider, and are flexible, meaning adaptable to customer needs and instantly deployable on a large scale. These solutions are typically used for applications that can experience peaks in demand such as e-commerce, and heavily-demanding applications such as video streaming, music streaming or application testing and development.

Webcloud & Other

OVHcloud offers its customers peripheral solutions allowing the creation and hosting of online websites such as the search and renewal of domain names, the creation of a site or an online store. OVHcloud also offers collaboration solutions such as professional messaging, telecommunication and texting.

This segment also includes on a residual basis, various non-significant activities, including the holding of events.

This segmentation reflects the internal reporting as submitted to the Group's Chief Executive Officer, OVHcloud Group's main operational decision-maker. The implementation of this monitoring tool makes it possible to assess the performance of the operating segments and to decide on the allocation of resources, in particular investments.

Key performance indicators

The Group uses the following aggregates to assess the performance of the operating segments presented:

Income: as presented in the consolidated financial statements.

Direct costs: Direct costs include all costs directly or indirectly related to the products sold. These are mainly the costs of raw materials, energy, labour costs, transport and licence costs. This aggregate is tracked before depreciation and amortisation expenses.

Gross margin: Gross margin corresponds to income less direct costs. This aggregate is tracked before depreciation and amortisation expenses.

Sales and marketing costs: Sales and marketing costs include all direct and indirect costs related to sales and marketing activities, which are mainly personnel and marketing sub-contracting expenses. This aggregate is tracked before depreciation and amortisation expenses.

General and administrative expenses: General and administrative expenses include all expenses related to senior management, finance and accounting, IT, legal, HR, and technical activities. This aggregate is tracked before depreciation and amortisation expenses.

Current EBITDA: This performance monitoring indicator, as presented in the consolidated financial statements, also corresponds to Income less Direct costs, Sales and marketing costs and General and administrative expenses.

Capital expenditure (excluding corporate acquisitions) corresponding to acquisitions of property, plant and equipment and the Group's capitalised project costs (net cash flows from investing activities excluding corporate acquisitions net of cash acquired).

In addition, the Group does not monitor any indicator of segment liabilities as financial debt is managed centrally and not at the three reporting segments levels.

(in thousands of euros)	Private Cloud	Public Cloud	Web Cloud & Other	Total 2022
Revenue	485,047	126,297	176,654	787,998
Direct costs	(152,587)	(35,900)	(84,912)	(273,399)
GROSS MARGIN	**332,460**	**90,397**	**91,742**	**514,599**
Sales and marketing costs	(67,823)	(16,359)	(12,998)	(97,181)
General and administrative expenses	(97,076)	(24,370)	(18,904)	(140,350)
CURRENT EBITDA	**167,560**	**49,668**	**59,840**	**277,068**
Capital expenditure (excluding business acquisitions)	(373,562)	(47,492)	(30,773)	(451,828)

(in thousands of euros)	Private Cloud	Public Cloud	Web Cloud & Other	Total 2021
Revenue	397,560	94,352	171,400	663,312
Direct costs	(121,809)	(33,944)	(75,622)	(231,375)
GROSS MARGIN	**275,750**	**60,407**	**95,778**	**431,937**
Sales and marketing costs	(46,640)	(10,496)	(13,093)	(70,228)
General and administrative expenses	(84,200)	(16,081)	(21,398)	(121,679)
CURRENT EBITDA	**144,910**	**33,831**	**61,288**	**240,030**
Capital expenditure (excluding businessacquisitions)	(289,498)	(31,470)	(22,264)	(343,232)

In the main countries in which the Group operates, the net carrying amounts of non-current assets are as follows:

(in thousands of euros)	31 August 2021 (1)	31 August 2022
France	714,769	782,676
Canada	93,633	166,496
North America	107,514	165,452
Other countries	111,159	156,705
TOTAL	**1,027,075**	**1,271,328**

(1) To provide better financial information, the Group has changed the determination of the segment of its non-current assets, which are now presented before investments elimination.

Non-current assets mainly include property, plant and equipment and intangible assets. It should be noted that property, plant and equipment is mainly composed of servers that are most often shared and managed according to the needs of customers, the specificities of the services provided to them, and not the location of this equipment. Thus, there is no correlation in a given country between the amount of non-current assets and the level of revenue or current EBITDA.

4.2 Adjusted EBITDA

In addition to the current EBITDA, the Group follows the adjusted EBITDA. This alternative performance indicator corresponds the current EBITDA restated, on the one hand, for expenses related to share-based compensation and, on the other hand, for earn-outs, thus better reflecting the Group's current operating performance.

RECONCILIATION BETWEEN CURRENT EBITDA AND ADJUSTED EBITDA

(in thousands of euros)	2021	2022
CURRENT EBITDA	**240,030**	**277,068**
Equity-settled and cash-settled compensation plans	20,998	21,843
Earn out compensation	945	8,672
ADJUSTED EBITDA	**261,972**	**307,583**

4.3 Income

Geographic markets

Income presented by geographic area corresponds to the residential income of customers (customers' main place of residence).

(in thousands of euros)	2021	2022
France	342,583	389,263
Europe (excl. France)	192,579	224,080
Rest of the World	128,150	174,654
TOTAL	**663,312**	**787,998**

Income by product

(in thousands of euros)	2021	2022
Baremetal	310,844	386,305
Hosted Private Cloud	86,716	98,742
Private Cloud	**397,560**	**485,047**
Public Cloud	**94,352**	**126,297**
Web Cloud & Other	**171,400**	**176,654**
TOTAL	**663,312**	**787,998**

Almost all lease income recognised under IFRS 16 "Leases" is generated in the Private Cloud operating segment. Other services, outside the Private Cloud operating segment fall within the scope of IFRS 15 "Revenue from contracts with customers".

4.4 Personnel expenses

(in thousands of euros)	2021	2022
Wages and salaries	(110,460)	(141,011)
Social charges	(42,300)	(55,274)
Share-based payments	(20,998)	(21,843)
Employee profit sharing	(303)	(714)
Pension cost – defined-benefit pension plans	(314)	(377)
Tax credits relating to personnel expenses	1,898	8,156
PERSONNEL EXPENSES	**(172,477)**	**(211,063)**

Share-based payments increased slightly compared to the 2021 financial year. At 31 August 2022, they include the advantage granted to employees as part of the "Employee Share Plan 2021" for an amount of €14.9 million and the expense of €6.0 million recognised in respect of the fair value of the free shares (see Note 4.24).

The purchase agreement for BuyDRM (acquired on 22 July 2021) provided for a contingent earn-out clause up to $14 million, based on the achievement of revenue and EBITDA margins for the periods ended 31 August 2022 and 2023, as well as the achievement of operational targets and a condition of presence. At 31 August 2022, the Group recognised an expense of €7.6 million in respect of this earn-out in personnel expenses.

Moreover, the purchase agreement for ForePaaS (acquired on 20 April 2022) provided for a contingent earn-out clause up to €4.6 million, based on the achievement of operational targets, of which €2.5 million are subject to a condition of presence. At 31 August 2022, the Group recognised an expense of €1 million in respect of this earn-out with a condition of presence, in personnel expenses.

In France, the Group benefits from a Research Tax Credit (CIR) income which is deducted from personnel expenses for €7.5 million at 31 August 2022 (€1.9 million at 31 August 2021). At 31 August 2022, €2.1 million relate to projects identified during the period as eligible for the CIR but for which the costs occurred during previous periods.

The Group's average headcount is broken down as follows over the following periods:

	2021 (2)	2022
France	1,695	1,867
EMEA (excluding France) (1)	326	335
North America	348	374
Others	75	80
TOTAL	**2,444**	**2,657**

(1) Europe, Middle-East and Africa.

(2) 2021 headcounts correspond to end of period

4.5 Operating expenses

(in thousands of euros)	2021	2022
Purchases consumed	(145,576)	(155,077)
External expenses	(90,769)	(130,816)
Taxes and duties	(7,636)	(9,091)
Impairment of trade receivables and other current assets and other provisions	(6,824)	(4,884)
OPERATING EXPENSES	**(250,805)**	**(299,867)**

The item "Purchases consumed" mainly includes purchases of supplies or services, licenses or subscriptions to third party technologies and domain names included in offers proposed to customers, as well as energy costs.

The breakdown of external expenses is as follows:

(in thousands of euros)	2021	2022
Subcontracting	(7,099)	(10,093)
Rental expenses	(18,734)	(28,574)
Maintenance	(11,927)	(13,954)
Fees	(19,763)	(27,145)
Advertising	(13,644)	(19,385)
Travel costs and expenses	(6,239)	(12,594)
Bank fees	(6,942)	(8,517)
Insurance expenses	(2,236)	(4,476)
Postal charges	(1,142)	(1,490)
Other external expenses	(3,042)	(4,588)
EXTERNAL EXPENSES	**(90,769)**	**(130,816)**

Rental expenses, included in "external expenses" which increased from €18.7 million over the period ended 31 August 2021 to €28.6 million over the period ended 31 August 2022, represent the portion of lease liabilities not restated in accordance with IFRS 16 "Leases" (services portion included in the lease rental cost, low-value assets and/or assets with a lease term of less than 12 months and for which OVHcloud can rapidly disengage without financial or economic constraints). The increase in rental expenses of €9.8 million is mainly due to the increase in the share of services included in the rent for the points of presence (POP) and data centres for €8.4 million.

4.6 Depreciation and amortisation expenses

(in thousands of euros)	2021	2022
Amortisation of intangible assets	(9,978)	(21,044)
Amortisation of right-of-use	(18,673)	(16,041)
Depreciation, amortisation and impairment for property, plant and equipment	(195,391)	(231,620)
DEPRECIATION AND AMORTISATION EXPENSES	**(224,042)**	**(268,705)**

The increase in amortisation of intangible assets is mainly due to the commissioning of capitalised development projects for the periods ended 31 August 2021 and 31 August 2022. The increase in amortisation and provisions for the depreciation of property, plant and equipment results from the reduction in the depreciation period following the fire at the Strasbourg site, and the additional provision for the depreciation of certain components for €16.9 million, associated with a change in estimate, corresponding to a more precise analysis of the type of components and the projected use of the components. At 31 August 2022, the depreciation of components amounted to €15.0 million compared to €8.1 million at 31 August 2021.

4.7 Other non-current operating income and expenses

(in thousands of euros)	2021	2022
Other non-current operating income	**-**	**103**
Claim costs	(56,748)	(3,926)
Restructuring costs and other expenses mainly related to fixed assets	(963)	(15,893)
Lump-sum insurance indemnity	58,000	-
Equity transactions costs	(8,121)	(7,628)
Acquisition costs	(916)	(1,503)
Disposal costs	(730)	-
Other non-current operating expenses	**(9,478)**	**(28,950)**
OTHER NON-CURRENT OPERATING INCOME AND EXPENSES	**(9,478)**	**(28,847)**

Equity transactions costs

Costs related to capital transactions correspond to the costs incurred by the Group in connection with the IPO (mainly legal and advisory fees) in the course of FY2021 and FY2022.

Claim costs

The costs of claims correspond to the costs directly incurred by the occurrence of the Strasbourg incident and the liability proceedings by certain customers, mainly covered by a provision already recognised at 31 August 2021 (Note 4.21).

Restructuring costs and other expenses mainly related to non-current assets

Restructuring costs for the period ended 31 August 2022 mainly concern the overhaul of the Group's industrial processes in 2022.

The other expenses for the periods ended 31 August 2021 and 2022 mainly comprise capital losses on asset disposals, and the scrapping and revaluation of IT components assets, following the migration of data into the new SAP system and the overhaul of the Group’s industrial processes.

4.8 Net finance income (expense)

(in thousands of euros)	2021	2022
Interest expenses	(30,267)	(11,197)
Borrowing costs	**(30,267)**	**(11,197)**
Foreign exchange gains	12,679	28,963
Interest income	220	881
Other financial income	-	1,060
Other financial income	**12,899**	**30,904**
Foreign exchange losses	(9,924)	(17,856)
Other interest expenses	(1,321)	(1,157)
Other financial expenses	**(11,245)**	**(19,013)**
NET FINANCE INCOME (EXPENSE)	**(28,613)**	**694**

Net finance income (expenses) include borrowing costs, income from cash management and other financial income and expenses (including foreign exchange gains and losses and bank fees).

Foreign exchange gains and losses mainly relate to positions in US Dollars and do not come from the related hedging instruments.

Borrowing costs include interest expenses related to borrowings and financial debts, and interest expenses related to lease liabilities. The decrease in interest expenses over the twelve-month period ended on 31 August 2022 mainly comes from the favourable refinancing conditions (at 31 August 2022, the margin applied on the new term loan is 1.10% compared to 3.25% for the previous financing).

4.9 Income tax

The main components of the income tax expense for the periods ended 31 August 2021 and 2022 are as follows:

Consolidated income

(in thousands of euros)	2021	2022
Current taxes	(4,703)	(8,928)
• On income	(2,426)	(6,056)
• On French company added value contribution (CVAE)	(2,277)	(2,872)
Deferred tax	(5,537)	164
(EXPENSE)/INCOME TAX RECOGNISED IN THE INCOME STATEMENT	**(10,240)**	**(8,764)**

Other consolidated comprehensive income recorded in equity

(in thousands of euros)	2021	2022
Deferred tax on changes in the fair value of cash flow hedging instruments	(873)	(3,001)
Deferred tax on revaluation of the liability for defined-benefit plans (actuarial gains and losses)	39	(132)
(EXPENSE)/INCOME TAX RECOGNISED IN OTHER CONSOLIDATED COMPREHENSIVE INCOME	**(834)**	**(3,132)**

5

Statement of financial position variations

In the consolidated statement of financial position, changes in net deferred tax are as follows:

(in thousands of euros)	31 August 2021	31 August 2022
Deferred tax assets	*11,431*	*8,729*
Deferred tax liabilities	*(9,290)*	*(14,144)*
31 AUGUST 2021	**2,141**	**(5 415)**
Recognised in the income statement	(5,537)	164
Recognised in other consolidated comprehensive income (equity)	(834)	(3,132)
Transfers	(438)	-
Other movements	(321)	(957)
Translation differences	(425)	(1,796)
31 AUGUST 2022	**(5 415)**	**(11,136)**
Deferred tax assets	*8,729*	*5,623*
Deferred tax liabilities	*(14,144)*	*(16,759)*

Net deferred tax by nature of temporary differences

(in thousands of euros)	31 August 2021	31 August 2022
Leases	883	620
Tax losses carried forward	6,276	6,999
Defined-benefit obligations	553	524
Non-deductible provisions	3,852	2,446
Depreciation differences	1,169	335
Other temporary differences	4,608	5,033
Netting of deferred taxes	(8,612)	(10,334)
DEFERRED TAX ASSETS	**8,729**	**5,623**

(in thousands of euros)	31 August 2021	31 August 2022
Fixed assets revalued in the context of business combinations	1,419	2,834
Depreciation and amortisation (differences in amortisation rates)	13,261	14,922
Insurance indemnity on claim (spreading) (1)	6,731	5,062
Revaluation of financial instruments including derivatives	-	3,028
Tax risks	1,023	553
Other temporary differences	322	695
Netting of deferred taxes	(8,612)	(10,334)
DEFERRED TAX LIABILITIES	**14,144**	**16,759**

(1) Provision of the French General Tax Code relative to spreading of insurance indemnity

Reconciliation of the income tax expense in respect of FY2021 and FY2022

(in thousands of euros)	2021	2022
Profit (loss) before tax	(22,104)	(19,790)
Tax rate in France	32.02%	28.41%
THEORETICAL TAX INCOME/(EXPENSE)	**7,078**	**5,622**
Differences in tax rates between countries	**(206)**	**318**
Reconciliation with the effective rate:	**(17,112)**	**(14,705)**
Net impact of permanent differences (1)	(5,662)	(9,851)
Recognition of deferred tax assets on tax losses carried forward arising in previous years	822	-
Deferred tax assets unrecognised in respect of temporary differences and unused tax losses carried forward (2)	(9,018)	(4,594)
Tax credits (3)	891	2,277
French company added value contribution (CVAE)	(1,548)	(1,967)
Other items	(2,597)	(570)
EFFECTIVE TAX INCOME/(EXPENSE)	**(10,240)**	**(8,764)**

(1) At 31 August 2022, mainly includes the non-deductibility of certain expenses, notably including expenses related to share-based compensation and earn-outs.

(2) Includes tax deficits that have not be subject to deferred tax asset recognition, mainly for the United States tax scope.

(3) As tax credits recognised in the EBITDA are not taxable, the mechanically calculated income tax expense is a reconciliation item.

To date, the Group only activates its tax losses carried forward within the tax consolidation scope of France. On the basis of the profits generated over the last three financial years (financial years 2019 to 2021) over this same tax scope, the Group estimates that it will be able to use up its tax losses carried forward within approximately five years.

The current macroeconomic environment does not have a significant impact on the outlook for tax losses carried forward.

At 31 August 2021 and 2022, tax losses not recognised as deferred tax assets mainly relate to the United States tax scope for an amount of €127 million (€114 million at 31 August 2021). In the United States, tax losses can be carried forward for twenty years from the date they are recognised.

4.10 Intangible assets

Goodwill

(in thousands of euros)	31 August 2021	31 August 2022
GROSS VALUES		
At opening	**22,579**	**35,137**
Increases	12,902	20,054
Change in scope	(493)	-
Transfers	-	(5,498)
Translation differences	149	2,499
As of the reporting date	**35,137**	**52,192**
IMPAIRMENT		
At 1 September	**(1,793)**	**(1,300)**
Change in scope	493	-
As of the reporting date	**(1,300)**	**(1,300)**
NET VALUES	**33,836**	**50,892**

At 31 August 2022, the gross value of goodwill comprises the following goodwill: ForePaas (company acquired on 20 April 2022) for €20.1 million (provisional goodwill); BuyDRM (company acquired in 2021) for €9.4 million; OpenIO for €18.5 million and Exten for €4.3 million (companies acquired in 2020).

The change in goodwill between 31 August 2021 and 31 August 2022, from €33.8 million at 31 August 2021 to €50.9 million at 31 August 2022, mainly comes from the provisional goodwill generated by the acquisition of ForePaaS for €20.1 million, the completion of the purchase price allocation of BuyDRM (company acquired on 22 July 2021), leading to the reclassification of €7.9 million to intangible assets in respect of the technology, and conversion effects.

Acquisition of ForePaaS

On 20 April 2022, OVH Groupe SA acquired ForePaaS, a French company that offers a unified platform specialising in data analytics, machine learning and artificial intelligence projects for companies, for a transferred counterparty of €17.8 million.

The provisional goodwill resulting from the acquisition of ForePaas was calculated as follows:

(in thousands of euros)		31 August 2022
Consideration paid in cash	**a**	**17,848**
Other non-current and current assets		2,133
Cash and cash equivalents		672
Current debts and liabilities		(2,915)
Net assets acquired	**b**	**(110)**
Possible counterparty	c	2,095
PROVISIONAL GOODWILL	**A - B + C**	**20,054**

The purchase price allocation will be carried out within 12 months following the acquisition, as provided for by IFRS 3, amended.

The possible counterparty identified as part of the provisional calculation of goodwill is based on achievement of targets, over an 18-month period, defined so as to guarantee the development and commissioning of various software.

Other intangible assets

(in thousands of euros)	Capitalised development costs	IP blocks	Other intangible assets	Total
GROSS VALUES				
1 September 2020	**53,207**	**23,834**	**29,481**	**106,522**
Increases	58,737	7,094	1,934	67,765
Decreases	-	-	(400)	(400)
Change in scope	(3,418)	-	(536)	(3,954)
Transfers	40	-	984	1,024
Other movements	(111)	-	111	(0)
Translation differences	-	123	149	272
31 August 2021	**108,455**	**31,051**	**31,723**	**171,229**
Increases	73,059	19,877	4,948	97,885
Change in scope	1,408	-	-	1,408
Transfers	-	-	(924)	(924)
Other movements	324	-	(2,501)	(2,825)
Translation differences	120	931	2,891	3,942
31 AUGUST 2022	**182,718**	**51,860**	**36,138**	**270,716**
DEPRECIATION, AMORTISATION AND IMPAIRMENT				
1 September 2020	**(5,292)**	**-**	**(21,755)**	**(27,047)**
Amortisations and impairments	(8,402)	-	(1,688)	(10,090)
Change in scope	3,378	-	691	4,069
Transfers	55	-	(1,192)	(1,137)
Translation differences	-	-	(140)	(140)
31 August 2021	**(10,261)**	**-**	**(24,084)**	**(34,344)**
Amortisations and impairments	(18,084)	-	(2,960)	(21,044)
Transfers	-	-	8,122	8,122
Other movements	-	-	2,222	2,222
Translation differences	-	-	(2,166)	(2,166)
31 AUGUST 2022	**(28,345)**	**-**	**(18,865)**	**(47,210)**
NET VALUES				
1 September 2020	**47,914**	**23,834**	**7,726**	**79,475**
31 August 2021	**98,194**	**31,051**	**7,640**	**136,885**
31 AUGUST 2022	**154,374**	**51,860**	**17,273**	**223,506**

In respect of the period ended 31 August 2022, OVHcloud total research and development expenses amount to €92.2 million and include €73.1 million of capitalised costs (€58.7 million were capitalised at 31 August 2021). These capitalised costs which meet the criteria of IAS 38 “Intangible assets”, are fundamental for the development, manufacture, implementation and marketing of new or continuously improving technologies and software.

Of the capitalised costs at 31 August 2022, €32.3 million correspond to internal costs (personnel costs) (€27.8 million at 31 August 2021), and €39.8 million for external costs (software, services) (€32.2 million at 31 August 2021).

Internal capitalised costs mainly include IT systems overhaul projects for €16.2 million (€13.1 million at 31 August 2021), including the implementation by the Group of performance monitoring software including SAP, and projects to develop new services for customers for €16.1 million (€14.7 million at 31 August 2021).

Moreover, the purchase price allocation for BuyDRM, acquired on 22 July 2021, led to the recognition of €7.9 million of intangible assets in respect of the technology, amortised over 5 years in the same way as OVHcloud's other capitalised costs.

4.11 Property, plant and equipment

(in thousands of euros)	Land	Buildings and fixtures and fittings	infrastructure equipment, facilities, industrial plant and equipment	IT equipment	Other property, plant, and equipment	Leases - Rights-of-use	Property, plant and equipment under construction	Total
GROSS VALUES								
1 September 2020	**6,618**	**53,225**	**163,012**	**909,041**	**241,306**	**103,753**	**120,046**	**1,597,001**
Increases	-	3,308	18,589	173,550	230	14,579	82,298	292,553
Decreases	-	(3,720)	(6,377)	(216,215)	(6,764)	(23,428)	(5,941)	(262,445)
Change in scope	-	(1,765)	(13,368)	(13)	(498)	(191)	(3)	(15,838)
Transfers	-	1,401	78,350	17,094	(13,170)	(2,979)	(50,495)	30,201
Other movements	1	-	-	1	(138)	3,798	1	3,663
Translation differences	44	683	5,075	5,093	270	450	634	12,249
31 August 2021	**6,663**	**53,132**	**245,281**	**888,551**	**221,236**	**95,982**	**146,540**	**1,657,384**
Increases	-	3,168	33,806	217,922	32,630	15,703	69,458	372,687
Decreases	-	(1,044)	10,147	(28,554)	(626)	(24,032)	(62)	(44,170)
Change in scope	-	-	-	8	37	-	-	45
Transfers	-	(920)	17,816	(60,347)	10,313	-	(7,314)	(40,452)
Other movements	-	(86)	(5,586)	10,769	(0)	2,179	(12,336)	(5,060)
Translation differences	726	3,389	16,987	33,523	260	3,311	7,313	65,509
31 AUGUST 2022	**7,388**	**57,638**	**318,453**	**1,061,872**	**263,850**	**93,143**	**203,599**	**2,005,943**
DEPRECIATION, AMORTISATION AND IMPAIRMENT								
1 September 2020	**-**	**(15,994)**	**(66,862)**	**(513,143)**	**(169,085)**	**(49,851)**	**(10,885)**	**(825,818)**
Amortisations and impairments	(183)	(3,299)	(28,569)	(154,104)	(5,561)	(18,689)	(7,843)	(218,248)
Reversals	-	-	529	302	-	-	1,053	1,884
Decreases	-	2,842	4,453	220,169	3,869	23,091	-	254,424
Change in scope	-	1,364	12,819	17	450	129	-	14,779
Transfers	(509)	777	(27,430)	(15,945)	5,968	1,864	5,474	(29,801)
Other movements	-	(1)	-	1	138	(2,964)	(1)	(2,827)
Translation differences	-	(125)	(2,271)	(2,672)	(14)	(285)	(86)	(5,453)
31 August 2021	**(692)**	**(14,436)**	**(107,331)**	**(465,375)**	**(164,235)**	**(46,705)**	**(12,287)**	**(811,060)**
Amortisations and impairments	(185)	(2,706)	(32,924)	(167,174)	(11,759)	(16,041)	(16,872)	(247,662)
Decreases	-	219	24	7,259	24	13,031	-	20,557
Change in scope	-	-	-	-	-	-	-	-
Transfers	-	920	(1,634)	39,175	(1,899)	-	4,493	41,055
Other movements	-	247	3,420	(5,170)	-	(1,046)	10,440	7,889
Translation differences	32	(921)	(6,844)	(16,414)	44	(2,036)	(724)	(26,863)
31 AUGUST 2022	**(845)**	**(16,679)**	**(145,289)**	**(607,698)**	**(177,826)**	**(52,798)**	**(14,950)**	**(1,016,085)**
NET VALUES								
1 September 2020	**6,618**	**37,231**	**96,150**	**395,898**	**72,221**	**53,902**	**109,161**	**771,183**
31 August 2021	**5,971**	**38,696**	**137,950**	**423,176**	**57,001**	**49,277**	**134,253**	**846,322**
31 AUGUST 2022	**6,543**	**40,959**	**173,164**	**454,174**	**86,024**	**40,345**	**188,649**	**989,857**

Land and buildings

Land and buildings with a carrying amount of €47.5 million in August 2022 (at 31 August 2021: €44.7 million) mainly comprise data centres and lands related.

Infrastructure equipment, facilities, industrial plant and equipment

Machinery, equipment and IT equipment with a carrying amount of €627.3 million in August 2022 (at 31 August 2021: €561.1 million) mainly comprises (i) industrial production lines (as OVHcloud carries out the production of IT servers used to provide Private and Public Cloud to its customers), including the technical installations required for the treatment of electricity, water cooling, network connections and (ii) IT servers once commissioned.

Other property, plant, and equipment

Other property, plant, and equipment with a carrying amount of €86 million in August 2022 (at 31 August 2021: €57 million) are mainly composed of fittings carried out at OVH SAS.

Right-of-use under leases

Right-of-use in respect of leases for a net carrying amount of €40.3 million at end August 2022 (€49.3 million at 31 August 2021) mainly comprises leases on offices and housing, data centres and points of presence (POP).

Property, plant and equipment under construction

Property, plant, and equipment under construction mainly represents production costs for servers and networks, and the fitting-out of buildings.

4.12 Impairment test on goodwill, property, plant and equipment and intangible assets

As part of the assessment of the value of goodwill, an impairment test was carried out at 31 August 2022, in application of the procedure set up by the Group.

The result of these impairment tests did not lead to the recognition of impairment losses at 31 August 2022.

The main assumptions used to estimate the value in use of each CGU group are as follows:

(% per CGU)	31 August 2021	31 August 2022
BAREMETAL		
Discount rate	7.1%	8.5%
Perpetual growth rate	3.0%	3.0%
HOSTED PRIVATE CLOUD		
Discount rate	7.1%	8.5%
Perpetual growth rate	3.0%	3.0%
PUBLIC CLOUD		
Discount rate	7.1%	8.5%
Perpetual growth rate	3.0%	3.0%
WEB CLOUD		
Discount rate	7.1%	8.5%
Perpetual growth rate	3.0%	3.0%

The model's targets of income, current EBITDA and Capex notably take into account growth assumptions for the global cloud market, consistent with the forecasts of independent external organisations, driven by the exponential growth of data usage, a steady increase in cloud spending and the growing adoption of hybrid and multi-cloud strategies by businesses. Thus, the perpetual growth rate remains identical to that of 31 August 2021.

In addition, an analysis of the sensitivity of the calculation to a combined change in the following parameters did not show evidence of lower recoverable amounts than the carrying amounts for the cash-generating units (CGUs).

- +/- 1.5 points in the discount rate;
- +/- 0.5 points in the perpetual growth rate;
- - 10% in cash flow.

4.13 Non-current financial assets

(in thousands of euros)	Shares in non-consolidated companies	Loans and securities	Total
GROSS VALUES			
1 September 2020	**99**	**1,214**	**1,313**
Disposals/Decreases	-	(225)	(225)
Transfers	-	235	235
Translation differences	-	12	12
31 August 2021	**99**	**1,236**	**1,335**
Acquisitions/Increases	30	241	271
Disposals/Decreases	-	(210)	(210)
Change in scope	-	138	138
Other movements	-	(69)	(69)
Translation differences	-	17	17
31 AUGUST 2022	**129**	**1,353**	**1,482**
DEPRECIATION			
1 September 2020	(33)	-	(33)
31 August 2021	**(32)**	**-**	**(32)**
31 AUGUST 2022	**(32)**	**-**	**(32)**
NET VALUES			
1 September 2020	66	1,214	1,280
31 August 2021	**67**	**1,236**	**1,303**
31 AUGUST 2022	**97**	**1,353**	**1,450**

During the period ended 31 August 2021, Hubic SAS (now Shadow) benefited from a partial contribution of assets. The securities held were then sold by the Group for €0.5 million to Jezby Ventures SAS.

Loans, securities, and other financial assets correspond to deposits and guarantees paid in connection with the leases of operating properties.

4.14 Trade receivables

Trade receivables break down as follows:

(in thousands of euros)	31 August 2021	31 August 2022
Trade receivables	54,625	(64,370)
Impairment of trade receivables	(24,799)	(32,162)
Contract assets	5,655	6,557
TRADES RECEIVABLES	**35,481**	**38,765**

The impairment of trade receivables breaks down as follows:

(in thousands of euros)	31 August 2021	31 August 2022
At 1 September	**(19,666)**	**(24,799)**
Provisions	(5,326)	(7,625)
Reversals	371	931
Other changes	(42)	(30)
Translation differences	(136)	(639)
AT 31 AUGUST	**(24,799)**	**(32,162)**

The age of the receivables, after taking into account impairment, is as follows:

(in thousands of euros)	31 August 2021	31 August 2022
Net trade receivables	**35,481**	**38,765**
Not past due	26,723	29,680
< 30 days	4,932	5,559
> 30 days and < 90 days	2,894	1,505
> 90 days	932	2,021

4.15 Other receivables and current assets

The other receivables and current assets break down as follows:

(in thousands of euros)	31 August 2021	31 August 2022
Loans and securities	294	296
Supplier prepayments	9,816	9,071
Tax receivables (excluding current tax)	35,416	56,437
Prepaid expenses	26,825	11,990
Other receivables	59,608	2,117
OTHER RECEIVABLES AND CURRENT ASSETS	**131,959**	**79,911**

The change in other receivables and current assets between 31 August 2021 and 31 August 2022 is mainly due to the receipt of the single lump-sum indemnity granted by insurance companies for the damage caused by the fire at the Strasbourg site for an amount of €58 million.

Tax receivables notably include €13.2 million in Research Tax Credit at 31 August 2022 (€3.8 million at 31 August 2021), as well as VAT.

Changes in receivables and other receivables are explained below:

(in thousands of euros)	Trades receivables	Other receivables	Total
1 September 2020	**25,363**	**43,385**	**68,748**
Translation differences	1,062	133	1,195
Change in scope	55	(37)	18
Other changes (transfers)	(3,212)	662	(2,550)
Change in net operating receivables and other receivables	12,214	87,795	100,009
Change in loans and advances granted	-	19	19
31 August 2021	**35,481**	**131,958**	**167,439**
Translation differences	659	3,416	4,075
Change in scope	32	162	194
Other changes (transfers)	4,652	3,282	7,934
Change in net operating receivables and other receivables	(2,058)	(58,907)	(60,965)
31 AUGUST 2022	**38,765**	**79,911**	**118,676**

4.16 Capital

Share capital at 31 August 2021

At 31 August 2021, the share capital was composed of ordinary shares with a par value of 1 euro and two categories of preference shares (A and C) with a par value of 1.23 euro for A preference shares and of 1 euro for C preference shares. It amounted to €170.8 million and consisted of 136,378,003 ordinary shares, 27,968,123 A preference shares and two C preference shares.

At 31 August 2021, the Group's share capital was 79% held by the founder's family, 17% by investment funds and 4% by some Group employees as part of a share allocation plan.

Share capital at 31 August 2022

Following the various shareholding transactions of the Company that took place in connection with its IPO (merger of MANOVH and MENOVH into the Company, conversion of A preference shares and C preference shares into ordinary shares of the Company, Shareholding offer reserved for Group employees and the acquisition of free shares under the allocation plans granted in February 2021 and July 2021, as detailed in Notes 2 and 4.24), the share capital is composed of: 190,540,425 ordinary shares with a par value of €1.

At 31 August 2022, the Company's share capital is held as follows:

- Klaba family: 68.82%;
- Investment funds: 15.24%;
- Group employees (share allocation plans and employee shareholding): 2.51%;
- Executives and directors: 0.45%;
- Float: 12.98%

NUMBER OF SHARES

(in thousands)	Ordinary shares	A preference shares	Total
1 September 2020	**136,006**	**27,968**	**163,974**
Increases/(Decreases)	372	-	372
31 August 2021	**136,378**	**27,968**	**164,346**
Increases/(Decreases)	54,163	(27,968)	26 194
31 AUGUST 2022	**190,541**	**-**	**190,541**

(in thousands of euros)	Ordinary shares	A preference shares	Total share capital	Share premiums	Total
1 September 2020	**136,006**	**34,401**	**170,407**	**93,842**	**264,249**
Increases/(Decreases)	372	-	372	(372)	-
31 August 2021	**136,378**	**34,401**	**170,779**	**93,470**	**264,249**
Increases/(Decreases)	54,163	(34,401)	19,762	324,786	344,548
31 AUGUST 2022	**190,541**	**-**	**190,541**	**418,256**	**608,797**

Capital increases and reductions

For the period ended 31 August 2022, the following transactions were carried out by decision of the shareholders:

- On 18 October 2021: capital reduction of €1,165,047 (in consideration for the share premium) corresponding to:
  - Capital reduction of a nominal amount of €6,432,668.29, following the reduction in the nominal value of the A preference shares from €1.23 to €1 per class A preference share,
  - Capital increase for a nominal amount of €5,267,621, through the issue of 33,235,744 Ordinary Shares with a par value of €1 each following the conversion of all preference shares into Ordinary Shares;
- On 18 October 2021: capital increase of €18,918,919, through the issue of 18,918,919 new shares with a par value of €1, by public offering without of preferential subscription rights;
- On 9 November 2021: capital increase in respect of the employee shareholding offer (“ESP 2021”) for an amount of €1.4 million, corresponding to the issue of 1,365,343 shares with a par value of €1 (of which 702,269 new shares and 663,074 shares created through the incorporation to the capital of €663,074 from the “reserves” account in respect of the matching contribution);
- On 23 February 2022: capital increase of €442,186 by incorporation of share premiums through the issue of 442,186 ordinary shares;
- On 20 July 2022: capital increase of €200,183 by incorporation of share premiums through the issue of 200,183 ordinary shares.

Preference shares

A preference shares

- Governance rights: each A preference share gave the right to one vote in the collective decisions of the Group’s shareholders (General Meetings);
- Economic rights: each A preference share gave the right to a special dividend each year under certain conditions provided in OVHcloud Group’s articles of association, but did not give the right to the ordinary dividend payable in respect of ordinary shares.

C preference shares

- Governance rights: C preference shares did not give voting rights in the collective decisions of the Group’s shareholders, but the holding of C preference shares gave the right to implement the reversal of governance provided for in the OVHcloud Group bylaws and specified in the shareholders’ agreement;
- Economic rights: C preference shares did not confer any economic rights other than the right to receive reimbursement of their subscription price.

All A preference shares, and all C preference shares were converted into ordinary Company shares on 14 October 2021, date of the settlement-delivery of the shares in connection with the admission to trading of the Company’s shares on the Euronext Paris regulated market.

Dividend

The Group did not declare or pay any dividends during the 2021 and 2022 periods.

4.17 Net debt

Net debt

Net debt includes all current and non-current financial debt, less cash and cash equivalents.

The following table presents a summary of the Group's net and gross financial debt:

(in thousands of euros)	31 August 2021	31 August 2022
Non-current financial debt	639,583	559,323
Current financial debt	69,760	2,209
GROSS FINANCIAL DEBT (EXCLUDING LEASE LIABILITIES)	**709,343**	**561,532**
Cash and cash equivalents	(53,610)	(36,187)
NET DEBT	**655,733**	**525,345**
Lease liabilities	52,898	42,404
NET DEBT (INCLUDING LEASE LIABILITIES)	**708,631**	**567,749**

Group debt structure

New Loan Agreement

On 24 September 2021, OVHcloud signed a new senior loan agreement (the "New Credit Agreement") with a pool of banks for unsecured refinancing of €920 million. At 31 August 2022, the margin applied for the term loan is 1.10%. In order to limit the risk due to the interest rate fluctuations on the cost of its new term loan, the Group has set up two interest rate swaps (exchanging the variable rate of the term loan for fixed rates) (Note 4.19).

The Group decided to undertake this refinancing subject to the completion of the IPO because of good market conditions and the favourable evolution of its credit profile in connection with the IPO.

The credit facilities, which are not subject to a guarantee given by the Company, include a term loan of €500 million, with a maturity of 5 years, together with the setting up of a new revolving credit facility (RCF) for a maximum capacity of €420 million with an initial maturity of 5 years eligible to two extended options for one more year each.

The RCF was drawn down for €60.1 million.

The new loan agreement (the "New Debt Facilities Agreement") also provides for additional uncommitted term and revolving loans (the "Uncommitted Facilities") subject to meeting certain conditions.

The New Loan Agreement contains a clause limiting the leverage ratio to 4:1. This ratio was respected for the period ended 31 August 2022.

BPIfrance loans

The BPIfrance Term Loan A was refinanced in June 2021 in the form of a green loan of €5 million from BPIfrance, at an annual interest rate of 0.98%, repayable in 20 quarterly instalments between 30 September 2023 and 30 June 2028. This loan was granted by BPI to participate in the Group's investment programme as part of the France Relance Plan.

5

Breakdown of financial debt

(in thousands of euros)	Type of facility	Notional or maximum amount	Interest rate	Final maturity	Non-current	Current	31 August 2022
Term facility	Maturity	500,000	Euribor +1.10% margin	23/10/2026	492,798	1,571	494,368
Revolving credit facility	Revolving	60,000	Euribor +0.70% margin	23/10/2026	60,000	58	60,058
Term loan B (BPI loan)	Straight-line	530	0.96%	31/03/2026	230	100	330
Green loan (BPI loan)	Straight-line	5,000	0.98%	30/06/2028	5,000	8	5,008
Other borrowings					1,295	468	1,763
Short-term borrowings					-	5	5
TOTAL FINANCIAL DEBT (1)					**559,323**	**2,209**	**561,532**

(1) All financial debts are labelled in euros.

Changes in financial debt

Following its initial public offering, on 25 October 2021 the Group redeemed the full amount of the previous Loan Agreements (Term Loan and Revolving Credit Facility), as well as the Euro PP bonds for an amount of €705.2 million, thanks to the establishment of a new unsecured senior loan agreement with a total principal amount of €920 million (the "New Debt"), to replace the previous Loan Agreements. The New Debt includes a new term loan of €500 million and the setting up of a new revolving credit facility (RCF) for a maximum amount of €420 million.

Changes in financial debt in 31 August 2021 and 2022 are as follows:

(in thousands of euros)	1 September 2021	Loans issues	Loan repayments	Capitalisation of borrowings costs	Amortisation of borrowings costs	Interest paid	Accrued interest	Discount effects	Change in bank overdraft	Translation differences	Changes in scope	Transfers and other movements (1)	31 August 2022
Bond issues	-	-	(17)	-	-	-	-	-	-	-	207	-	190
Revolving credit facilities, term loans and other debt	639,583	560,000	(634,469)	(8,676)	1,473	-	-	-	-	-	1,222	-	559,133
Non-current financial debt	**639,583**	**560,000**	**(634,486)**	**(8,676)**	**1,473**	**-**	**-**	**-**	**-**	**-**	**1,429**	**-**	**559,323**
Lease liabilities	38,061	10,620	(368)	-	-	-	-	-	-	724	-	(20,556)	28,481
Non-current financial debt including lease liabilities	**677,644**	**570,620**	**(634,854)**	**(8,676)**	**1,473**	**-**	**-**	**-**	**-**	**724**	**1,429**	**(20,556)**	**587,804**
Bond issues	67,000	642	(67,642)	-	-	-	-	-	-	-	-	-	-
Revolving credit facilities, term loans and other debt	562	-	(157)	-	-	-	-	-	(354)	69	426	-	546
Interest on long-term borrowings	2,198	-	-	-	-	(10,524)	8,411	-	-	-	-	1,578	1,663
Current financial debt	**69,760**	**642**	**(67,799)**	**-**	**-**	**(10,524)**	**8,411**	**-**	**(354)**	**69**	**426**	**1,578**	**2,209**
Lease liabilities	14,837	4,892	(16,835)	-	-	-	939	-	-	752	-	9,338	13,923
Current financial debt including lease liabilities	**84,597**	**5,534**	**(84,634)**	**-**	**-**	**(10,524)**	**9,350**	**-**	**(354)**	**821**	**426**	**10,916**	**16,132**
FINANCIAL DEBT INCLUDING LEASE LIABILITIES	**762,241**	**576,154**	**(719,488)**	**(8,676)**	**1,473**	**(10,524)**	**9,350**	**-**	**(354)**	**1,545**	**1,854**	**(9,640)**	**603,936**
Of which financial debt	709,343	560,642	(702,285)	(8,676)	1,473	(10,524)	8,411	-	(354)	69	1,854	1,578	561,532
Of which lease liabilities	52,898	15,512	(17,203)	-	-	-	939	-	-	1,476	-	(11,218)	42,404

(1) In April 2022, the Group signed a new office lease contract, thus reducing the duration of the current 3-year contract. The other movements mainly reflect the revaluation of the debt for the current contract for €8.7 million.

(in thousands of euros)	1 September 2020	Loans issues	Loan repayments	Capitalisation of borrowings costs	Amortisation of borrowings costs	Interest paid	Accrued interest	Discount effects	Change in bank overdraft	Translation differences	Changes in scope	Transfers and other movements	31 August 2021
Bond issues	66,910	-	-	-	-	-	-	-	90	-	-	(67,000)	-
Revolving credit facilities, term loans and other debt	512,801	120,000	(3,695)	-	8,874	-	-	-	-	(6)	-	1,609	639,583
Non-current financial debt	**579,711**	**120,000**	**(3,695)**	**-**	**8,874**	**-**	**-**	**-**	**90**	**(6)**	**-**	**(65,391)**	**639,583**
Lease liabilities	42,287	7,660	(543)	-	-	-	-	-	-	122	-	(11,465)	38,061
Non-current financial debt including lease liabilities	**621,998**	**127,660**	**(4,238)**	**-**	**8,874**	**-**	**-**	**-**	**90**	**116**	**-**	**(76,856)**	**677,644**
Bond issues	20,000	-	(20,000)	-	-	-	-	-	-	-	-	67,000	67,000
Revolving credit facilities, term loans and other debt	7,947	1	(1,948)	-	-	-	-	-	(4,043)	8	-	(1,403)	562
Interest on long-term borrowings	2,581	-	-	-	-	(20,675)	20,292	-	-	-	-	-	2,198
Financial debt including lease liabilities	**30,528**	**1**	**(21,948)**	**-**	**-**	**(20,675)**	**20,292**	**-**	**(4,043)**	**8**	**-**	**65,597**	**69,760**
Lease liabilities	13,871	6,942	(18,516)	-	-	-	1,210	-	-	61	-	11,269	14,837
Current financial debt including lease liabilities	**44,399**	**6,943**	**(40,464)**	**-**	**-**	**(20,675)**	**21,502**	**-**	**(4,043)**	**69**	**-**	**76,866**	**84,597**
FINANCIAL DEBT INCLUDING LEASE LIABILITIES	**666,397**	**134,603**	**(44,702)**	**-**	**8,874**	**(20,675)**	**21,502**	**-**	**(3,953)**	**185**	**-**	**10**	**762,241**
Of which financial debt	610,239	120,001	(25,643)	-	8,874	(20,675)	20,292	-	(3,953)	2	-	206	709,343
Of which lease liabilities	56,158	14,602	(19,059)	-	-	-	1,210	-	-	183	-	(196)	52,898

5

4.18 Financial instruments

Classification of the financial instruments

Financial assets and liabilities are classified as follows:

(in thousands of euros)	Notes	Accounting category	Level in the fair value hierarchy	31 August 2021 Total net carrying amount	31 August 2021 Fair value	31 August 2022 Total net carrying amount	31 August 2022 Fair value
Loans and guarantees and other financial assets	2	Amortised cost	Level 2	1,236	1,236	1,353	1,353
Non-consolidated equity investments	3	Fair value through profit or loss	Level 3	67	67	97	97
TOTAL NON-CURRENT FINANCIAL ASSETS				**1,303**		**1,450**	
Trades receivables	1	Amortised cost		35,481	35,481	38,765	38,765
Current derivative financial assets		Fair value through profit or loss or hedging instrument	Level 2	140	140	11,798	11,798
Cash and cash equivalents	1	Amortised cost		53,610	53,610	36,187	36,187
TOTAL CURRENT FINANCIAL ASSETS				**89,231**		**86,750**	
TOTAL FINANCIAL ASSETS				**90,534**		**88,200**	
Financial debt (excluding lease liabilities)	5	Amortised cost	Level 2	639,584	639,584	559,323	559,323
Lease liabilities	4	Amortised cost		38,061	38,061	28,481	28,481
Other non-current financial liabilities	6	Fair value through profit or loss or hedging instrument	Level 2	16,921	16,921	15,898	15,898
TOTAL NON-CURRENT FINANCIAL LIABILITIES				**694,566**		**603,702**	
Financial debt (excluding lease liabilities)	4	Amortised cost	Level 2	69,760	69,760	2,209	2,209
Lease liabilities	4	Amortised cost		14,837		13,923	
Accounts payable	1	Amortised cost		149,503	149,503	115,111	115,111
Derivatives	6	Fair value through profit or loss or hedging instrument	Level 2	174	174	280	280
TOTAL CURRENT FINANCIAL LIABILITIES				**234,274**		**131,523**	
TOTAL FINANCIAL LIABILITIES				**928,840**		**735,225**	

Note 1 – The net carrying amount of non-derivative current financial assets and liabilities is considered as an approximation of their fair value.

Note 2 – The difference between the net carrying amount and the fair value of loans and guarantees in non-current financial assets and security deposits in non-current financial liabilities is not considered significant.

Note 3 – The fair value of non-consolidated equity investments is not significant.

Note 4 – As permitted by IFRS, the fair value of the lease liability and its level in the fair value hierarchy is not provided.

Note 5 – The fair value of borrowings and financial liabilities has been estimated using the discounted future cash flow method.

Note 6 – Derivatives are measured at their fair value in the statement of financial position. Fair value is based on market data and commonly used valuation models. This can be confirmed in the case of complex instruments by reference to securities listed by independent financial institutions. The changes in the fair value of these instruments are recorded in the income statement.

4.19 Derivatives

The Group's risk management strategy and its application in terms of risk management are explained in Note 4.20.

In order to limit the risk due to interest rate fluctuations on the cost of its new €500 million term loan, the Group has set up two interest rate swaps (exchanging the variable rate of the term loan for fixed rates) for a total nominal amount of €375 million with maturity on 30 September 2026. At 31 August 2022, the fair value of the interest rate swaps was €11.8 million, recognised as a counterparty to other comprehensive income.

FAIR VALUE OF HEDGING INSTRUMENTS:

(in thousands of euros)	31 August 2021	31 August 2022
Derivatives financial instruments – assets	140	11,798
Derivatives financial instruments – liabilities	174	280

4.20 Risk management

Financial risk management

The Group is exposed to foreign exchange risk, interest rate risk, credit risk, liquidity risk and raw material risk.

The Group's risk management focuses on the unpredictability of financial markets and seeks to minimise the potential negative effects of these risks on the Group's financial performance. The Group may use derivatives to hedge certain exposures to these risks.

Foreign exchange risk management

The Group's international activities generate flows in many currencies. In order to mitigate exposure to foreign exchange risk, the Group uses forward currency contracts to hedge:

- Purchases of components and non-current assets in US dollars. These transactions are highly probable and may be designated as hedged items. The Group enters into foreign exchange forward contracts to hedge the cost of non-current assets against foreign exchange risk and qualifies these transactions as cash flow hedges. Forward exchange contract balances vary depending on the level of expected investments in US dollars. Changes in the projected amount of cash flow for hedged items and hedging contracts may be a source of ineffectiveness.
- Financial assets and liabilities in foreign currencies: in the context of intra-group financing, financing facilities are set up between the parent company whose functional currency is the euro, and subsidiaries whose functional currency is a foreign currency. In order to centralise the foreign exchange risk, the financing is set up in the functional currency of the subsidiary. These financings may generate an exposure to foreign exchange risk that is not eliminated in the consolidated financial statements. The Group therefore uses cross-currency swaps to hedge its exposure to foreign exchange risk linked to the nominal amount and interest on the financing. Currency swaps are not qualified as hedging instruments under IFRS. The Group classifies certain intra-group financing as net investments abroad. Valuation differences linked to changes in exchange rates are then recognised in other comprehensive income.

In addition, the Group centralises cash surpluses and cash requirements in currencies other than the euro for the Group's subsidiaries. The risk related to non-euro current accounts between the central treasury department and the subsidiaries is hedged by short-term currency swaps. These swaps do not qualify as hedges.

Since 2018, the Group has limited the hedging derivatives used to currency swaps and forward foreign exchange contracts.

All fair values of derivatives are measured using significant observable data (level 2).

Translation differences

The change in translation differences noted in other comprehensive income corresponds to an unrealised exchange rate gain of €14.1 million for the period ended 31 August 2022 (unrealised gain of €4.4 million for the period ended 31 August 2021) reflecting, on the one hand the appreciation of the Canadian and US dollar during the conversion into Euros of the statement of financial position of the Canadian and US subsidiaries in local currency, for their consolidation in OVH Groupe S.A, and on the other hand, the crystallisation of exchange rate effects on the recapitalisation transaction for the US entities.

Effect of cash flow hedges on the income statement and other comprehensive income

For purchases in US dollars, OVHcloud Group recognises expenses in US dollars included in the price of the non-current asset at the hedging rate. The effective portion of the hedging instrument, qualified as a cash flow hedge and initially recognised in other comprehensive income, is recycled from the cash hedging reserve to non-current assets. The effect of hedging instruments is then recycled to profit or loss based on the amortisation and impairment of these non-current assets over the estimated useful life of the equipment.

Sensitivity of foreign exchange rates:

A change in exchange rates would have impacted consolidated equity or net income, due to the hedging strategies as follows:

- future acquisitions of non-current assets in US dollars: the hedging instruments used in these hedging strategies are considered as 100% effective. The effects on other comprehensive income of a 10% change in the spot rate in US dollars at the reporting date would not have generated any impact in 2021 or in 2022;
- financial assets and liabilities denominated in foreign currencies and cash pooling: assets and liabilities denominated in foreign currencies resulting from the financing activity of non-euro subsidiaries generate currency effects that are not eliminated in the consolidated financial statements. The effects of derivatives in foreign currencies offset these changes in the financial statements. A change in the spot exchange rate applied to these hedging strategies would therefore have no impact on consolidated net income and equity.

Risk management rate

The Group is exposed to Euribor rate variation on its term facility and its revolving credit facility which total €560.1 million at 31 August 2022. These financial liabilities mature in October 2026.

In order to protect against an increase in interest rates on the cost of its new €500 million term loan, the Group has set up two interest rate swaps (exchanging the variable rate of the term loan for fixed rates) for a total nominal amount of €375 million with maturity on 30 September 2026.

The Group is exposed to IBORs through its financial instruments which have to be replaced or modified as part of the IBOR reform, which concerns all markets. There are still uncertainties about the timing and methods of transition that will be adopted in the different countries in which the Group operates. However, the latter believes that the reform of the IBORs will have no impact on its risk management and hedge accounting.

Sensitivity analysis

The existence of a floor justifies the fact that no analysis is performed on the assumption – 100 basis points.

A quantitative sensitivity analysis of the change in interest rates at 31 August would result in the following additional expenses in the income statement:

(in thousands of euros)	31 August 2021	31 August 2022
Euribor interest rate fluctuation assumptions		
+ 100 basis points	2,501	2,468
- 100 basis points	-	-

Liquidity risk management

Liquidity risk is the risk to which the Group is exposed when it experiences difficulties in meeting its obligations relating to financial liabilities that will be settled by remitting cash or other financial assets. The Group's target in managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to honour its liabilities when they fall due without incurring unacceptable losses or adversely affecting the Group's reputation.

The available resources enable the Group to manage its liquidity risk (cash and available bank credit lines).

The table below shows the residual contractual maturities of the Group's financial liabilities, including interest payments:

	31 August 2022				
(in thousands of euros)	Carrying amount	Contractual amount	< 1 year	> 1 year < 5 years	> 5 years
Term facility	494,368	523,131	5,576	517,554	-
Revolving credit facility	60,058	70,297	2,058	68,238	-
Term loan B (BPI loan)	330	330	100	230	-
Green loan (BPI loan)	5,008	5,178	49	4,123	1,006
Other borrowings	1,763	1,970	468	1,425	77
bank overdrafts	5	5	5	-	-
Lease liabilities	42,404	42,404	13,923	28,481	-
Other non-current financial liabilities	15,898	15,898	-	-	15,898
supplier and other account payables	115,111	115,111	115,111	-	-
liabilities from derivatives financial instruments	280	280	280	-	-
FINANCIAL LIABILITIES	**735,225**	**774,603**	**137,570**	**620,051**	**16,981**

	31 August 2021				
(in thousands of euros)	Carrying amount	Contractual amount	< 1 year	> 1 year < 5 years	> 5 years
Bond B	58,793	59,280	59,280	-	-
Bond C	10,324	10,628	10,628	-	-
Term facility	400,312	469,370	13,181	52,758	403,431
Revolving credit facility	234,037	261,813	6,524	255,289	-
Term loan B (BPI loan)	530	530	200	330	-
Green loan (BPI loan)	5,008	5,227	49	3,156	2,022
Bank overdrafts	338	338	338	-	-
Lease liabilities	52,898	52,898	14,837	38,061	
Other non-current financial liabilities	16,921	16,921	-	-	16,921
Supplier and other account payables	149,504	149,504	149,504	-	-
Liabilities from derivatives financial instruments	174	174	174	-	-
FINANCIAL LIABILITIES	**928,840**	**1,026,683**	**254,715**	**349,594**	**422,374**

Credit risk management

Credit risk is managed at Group level. Credit risk arises from cash, cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including receivables outstanding and committed transactions.

OVHcloud currently provides services to more than 1.6 million customers worldwide and delivers the service to its customer portfolio once payment for the service has been made in the majority of cases. Credit risk is therefore very low within the Group.

In the event that customer credit is required, the credit control department assesses the credit-worthiness of the customer, considering both their financial position and payment track record.

No individual customer of the Group represents more than 10% of total sales in 2021 or 2022.

Management of raw material risk (energy contracts)

Most of the energy supplies are made through forward purchase contracts at a fixed or indexed price. The forward purchase contracts as not qualified as hedging instruments under IFRS. IFRS 9 provides for the inclusion in the scope of consolidation of forward purchase and sale transactions of any non-financial asset when these transactions have similar characteristics to derivatives. However, IFRS 9 considers that forward purchase contracts on non-financial assets should not be considered as derivatives when they were concluded to meet the “day-to-day” business needs of the Company, characterised by taking delivery of the underlying asset at maturity to use it in the Company’s industrial process. OVHcloud does not buy electricity for the purposes of speculating or arbitrating on changes in commodity prices. The energy contracts are concluded for an end use in the ordinary course of business in the industrial process and they do not meet the definition of a derivative.

On 30 November 2021, the Group signed an energy purchase agreement with EDF Renouvelables France Group. The contract provides for the supply by EDF Renouvelables France of electricity from an agrivoltaic park located in the South of France. OVHcloud plans to consume 100% of the green energy produced by this park, from January 2025, representing around 25% of the current annual electricity needs in France. The minimum contract term is 15 years (renewable for three-year terms after 15 years and for a total term up to 24 years).

4.21 Provisions and contingent liabilities

Provisions and contingent liabilities are presented as follows:

(in thousands of euros)	31 August 2021	31 August 2022
Defined benefit pension plans	2,299	2,188
Litigation and claims	3,712	2,160
Non-current provisions	**6,011**	**4,348**
Defined-benefit pension plans	71	72
Litigation and claims	31,107	24,529
Other provisions	183	-
Current provisions	**31,361**	**24,601**
CURRENT AND NON-CURRENT PROVISIONS	**37,372**	**28,949**

CHANGE IN PROVISIONS AND CONTINGENT LIABILITIES

(in thousands of euros)	Defined benefit pension plans	Litigation and claims	Other provisions	Total
1 September 2020	**3,028**	**1,715**	**400**	**5,143**
Provisions	333	33,172	183	33,688
Reversals/Benefits paid	(17)	(61)	-	(78)
Change in actuarial gains and losses	150	-	-	150
Change in scope	(1)	-	(400)	(401)
Other changes	212	(29)	1	184
New IFRIC interpretation on the allocation of retirement benefits to the services' periods (effect net of tax)	(1,335)	-	-	(1,335)
Translation differences	-	21	-	21
31 August 2021	**2,370**	**34,818**	**184**	**37,372**
Provisions	427	350	213	990
Reversals/Benefits paid	(28)	(8,609)	(396)	(9,033)
Change in actuarial gains and losses	(510)	-	-	(510)
Transfers	-	54	-	54
Translation differences	-	76	-	76
31 AUGUST 2022	**2,258**	**26,689**	**2**	**28,949**

Provisions for litigation and claims

Following the fire at the Strasbourg site, a provision was recorded to cover the consequences of the incident in respect of appraisal costs, legal costs and liability claims.

At 31 August 2022, this provision amounted to €24.5 million. No new facts have called into question, to date, the calculation assumptions for this provision.

Defined-benefit pension plans for employees

Post-employment defined-benefit pension plans mainly concern employees in France.

These commitments are not covered by asset plans.

In France, in accordance with the legal regime governed by the collective agreements applicable to employees of French entities, a lump sum is paid to employees upon retirement, the amount of which depends on their length of service and their salary at the time of their departure according to a scale defined in the collective agreement.

Main assumptions

The main assumptions used to determine the defined-benefit pension plans are as follows:

	31 August 2021	31 August 2022
Discount rate	0.90%	3.20%
Salary inflation rate	2.0%	3.0%
Average staff turnover rate	7.5%	6.5%
Average payroll tax rate	37%-46%	39%-47%
Duration of the pension commitment	23.4 years	24 years
Mortality table	INSEE 2013-2015	INSEE 2013-2015

The average tax rate on salaries corresponds to the average rate of employer contributions.

The duration of the retirement commitment corresponds to the average remaining working life of employees.

Change in defined-benefit obligations

(in thousands of euros)	2021	2022
At 1 September	**3,028**	**2,370**
Interest cost	19	23
Service costs	314	377
Rendered during the period	*351*	*449*
Past service costs	*(37)*	*(73)*
Impact on net income	**333**	**400**
Other changes	211	27
New IFRIC application	(1,335)	-
Benefits paid	(17)	(28)
Change in actuarial gains and losses	150	(510)
AT 31 AUGUST	**2,370**	**2,258**

The IFRS interpretation committee met in April 2021 to adopt a new position on the terms and conditions for measuring commitments such as retirement benefits (see Note 3 on the effects of the application of the new interpretation at 31 August 2021).

Past service costs are explained by employee departures. No new collective bargaining agreement has been adopted. Consequently, the Group now applies the legal scale for calculating pension benefits.

Sensitivity analysis

A quantitative sensitivity analysis for significant assumptions at 31 August 2021 and 2022 is shown below:

(in thousands of euros)	31 August 2021	31 August 2022
Change in discount rate		
+25 basis points	2,021	1,895
-25 basis points	2,276	2,125
Change in salary inflation		
+25 basis points	2,275	2,127
-25 basis points	2,023	1,892

The amount of contributions that OVHcloud Group expects to pay into the plan in 2023 is €0.5 million.

4.22 Other current and non-current liabilities

Other current and non-current liabilities break down as follows:

(in thousands of euros)	31 August 2021	31 August 2022
Personnel expenses	680	69
Deferred income	6,024	6,806
Other non-current debt	1,079	4,051
Other non-current liabilities	**7,783**	**10,926**
Personnel expenses	43,794	42,391
Deferred income	64,050	64,478
Advances received	14,705	17,791
Tax liabilities (other than current taxes)	32,347	39,883
Other current debt	1,929	6,651
Other current liabilities	**156,825**	**171,194**
OTHER CURRENT AND NON-CURRENT LIABILITIES	**164,608**	**182,120**

The change in accounts payable and other current liabilities is explained as follows:

(in thousands of euros)	Accounts payable	Suppliers of non-current assets	Other current liabilities	Total
1 September 2020	**78,327**	**13,769**	**130,596**	**222,692**
Translation differences	908	-	817	1,724
Change in scope	(67)	-	407	340
Other changes (transfers)	(50)	-	(491)	(541)
Changes in operating payables and other payables	54,507	-	25,497	80,004
Change in suppliers of fixed assets	-	2,108	-	2,108
31 August 2021	**133,626**	**15,877**	**156,825**	**306,328**
Translation differences	(557)	-	15,014	14,457
Change in scope	398	-	1,461	1,859
Other changes (transfers)	8,153	-	(8,353)	(199)
Changes in operating payables and other payables	(43,808)	-	6,247	(37,562)
Change in suppliers of fixed assets	-	1,421	-	1,421
31 AUGUST 2022	**97,812**	**17,298**	**171,194**	**286,305**

4.23 Leases

The carrying amounts of the right-of-use recognised and the movements for the period are presented in the following tables:

(in thousands of euros)	Offices and accommo-dation	Data centres	Networks	Points of presence	Other assets	Total
GROSS VALUES						
1 September 2020	**58,254**	**7,858**	**14,411**	**19,889**	**3,341**	**103,753**
Increases	2,856	3,720	1,910	5,339	754	14,579
Ends of contracts	(451)	(2,395)	(14,584)	(2,761)	(3,237)	(23,428)
Translation differences	182	19	34	225	-	461
Other movements	2,896	(5,465)	4,528	(2,185)	843	617
31 August 2021	**63,737**	**3,737**	**6,299**	**20,507**	**1,701**	**95,982**
Increases	6,554	5,040	761	3,116	232	15,703
Ends of contracts	(12,774)	(197)	(484)	(10,281)	(296)	(24,032)
Translation differences	754	513	720	1,323	-	3,311
Other movements	1,156	-	296	727	-	2,179
31 AUGUST 2022	**59,427**	**9,094**	**7,593**	**15,392**	**1,637**	**93,143**
DEPRECIATION, AMORTISATION AND IMPAIRMENT						
1 September 2020	**(19,716)**	**(3,094)**	**(11,823)**	**(12,735)**	**(2,483)**	**(49,851)**
Amortisations	(7,551)	(1,122)	(3,437)	(5,261)	(1,317)	(18,688)
Ends of contracts	210	2,395	14,584	2,701	3,202	23,091
Change in scope	-	-	-	60	70	129
Transfers	548	819	(3,381)	1,327	(414)	(1,101)
Translation differences	(99)	(4)	(17)	(164)	-	(285)
31 August 2021	**(26,608)**	**(1,007)**	**(4,074)**	**(14,073)**	**(942)**	**(46,705)**
Amortisations	(7,792)	(1,799)	(1,509)	(4,423)	(519)	(16,041)
Ends of contracts	3,672	164	484	8,456	254	13,031
Other movements	(829)		(12)	(206)	(0)	(1,047)
Translation differences	(430)	(224)	(438)	(943)	-	(2,036)
31 AUGUST 2022	**(31,987)**	**(2,866)**	**(5,549)**	**(11,190)**	**(1,207)**	**(52,798)**
NET VALUES						
1 September 2020	**38,538**	**4,764**	**2,588**	**7,154**	**858**	**53,902**
31 August 2021	**37,129**	**2,730**	**2,224**	**6,434**	**759**	**49,277**
31 AUGUST 2022	**27,441**	**6,228**	**2,044**	**4,202**	**430**	**40,345**

The impacts of the restatement of leases in the consolidated income statement for the periods ended FY2021 and FY2022 are as follows:

(in thousands of euros)	2021	2022
Restated rental expenses	18,740	17,325
Amortisation of right-of-use	(18,673)	(16,041)
Interest expenses	(1,210)	(939)
Net expenses on contract exits	(207)	913
PROFIT (LOSS) BEFORE TAX	**(1,350)**	**1,258**

Rental expenses restated for the period ended 31 August 2022 amounting to €17.3 million concern:

- Data centres for €3.0 million;
- Points of Presence (POP) for €5.8 million;
- Offices for €7.9 million;
- Other non-current assets, such as fittings or cars for €0.6 million.

4.24 Share-based payments

(in thousands of euros)	2021	2022
Expenses for equity-settled compensation plans	(13,266)	(20,978)
Expenses for cash-settled compensation plans	(4,580)	-
Social charges related to share-based payments	(3,152)	(865)
SHARE-BASED PAYMENTS	**(20,998)**	**(21,843)**

Personnel expenses in respect of the equity instrument settled compensation plans increased slightly compared to the period ended 31 August 2021.

With regard to the granting of free shares, the decrease in the expense (expense of €6.0 million for the period ended 31 August 2022 compared to an expense of €13.3 million for the period ended 31 August 2021) reflects the absence of new plans implemented during the period and the acceleration from 31 August 2021 of the service condition over one year, and the change in estimate of the probable number of instruments actually acquired to take into account the probability of completion of the IPO on the date. Moreover, the advantage granted to employees as part of the "Employee Share Plan 2021" reflecting the matching contribution by the Company as well as a 30% discount granted on the share price, results in an expense of €14.9 million at 31 August 2022.

Free shares

The General Meeting of 10 October 2017 authorised the allocation of a maximum of 4,590,562 free ordinary shares with a four-year service condition. The identity of the beneficiaries and the date of allocation are determined by the Chairman.

Summary of the free shares

Grant date	October 2017	February 2019	July 2020	February 2021	July 2021
Total number of free shares granted	1,108,049	1,776,316	385,236	442,186	250,976
Number of beneficiaries	33	35	23	32	22
Vesting period	4 years	4 years	4 years	1 year	1 year
Estimate of the percentage of employees who will fulfil the service conditions	58%	88%	97%	100%	80%
Fair value of ordinary shares at the grant date *(in euros)*	7.48	8.46	10.2	10.75	20
Expected dividends [1]	-	-	-	-	-

(1) Expected dividends: no dividend distribution is expected for the periods concerned by these free shares.

The Group did not issue any free shares during the period and registered 50,793 lapsed shares for the plan granted in July 2021.

"Phantom" shares

In October 2017, a phantom share plan was put in place for foreign resident employees, with a four-year service condition. The plan depended on the value of the OVH shares and was not settled in shares but in cash. It was therefore considered to be a cash-settled share-based plan. The liability for phantom shares was measured initially, and at each reporting date until settlement in 2022, at the fair value of the phantom shares which is based on the fair value of the ordinary shares.

Summary of phantom shares:

MAIN CHARACTERISTICS PHANTOM SHARES

Grant date	October 2017	February 2019	July 2020	February 2021	July 2021	August 2021
Total number of instruments issued	708,938	85,074	152,767	5,976	5,975	23,902
Number of beneficiaries	9	4	7	1	1	2
Vesting period	4 years	4 years	4 years	1 year	1 year	1 year
Estimate of the percentage of employees who will fulfil the service conditions	2%	67%	100%	100%	100%	100%
Fair value of ordinary shares at the grant date *(in euros)*	7.48	8.46	10.2	10.75	20	20
Expected dividends (1)	-	-	-	-	-	-

(1) Expected dividends: no dividend distribution is expected for the periods concerned by these free shares.

At 31 August 2021, a personnel expense was recognised in respect of the phantom shares for €6.0 million, *i.e.* a cumulative liability of €6.4 million at the same date. Following the IPO on 15 October 2021, as the service condition had been accelerated over one year and was extinguished, the phantom share plans were settled, thus extinguishing the liability.

The Group has not issued any phantom shares during the period.

Note 5 Other information

5.1 Off-balance sheet commitments

Guarantees

At 31 August 2022, the New Loan Agreement was not subject to a guarantee given by the Company.

At 31 August 2021, the Group's off-balance sheet commitments were as follows:

Commitments given in connection with the implementation of the new syndicated loan:

- pledge of shares under French law on OVH Groupe shares;
- mortgage under Canadian law on the shares of Holding OVH Canada Inc. ;
- mortgage under Canadian law on the shares of OVH Infrastructures Canada Inc. ;
- pledge under US law on the shares of OVH Holding US Inc. ;
- guarantee deed for bond issues in euros.

Leases

Lease commitments include lease rents relating to:

- contracts for which the underlying property will be available after 31 August 2022

In April 2022, the Group signed a new lease contract, starting in October 2022, for an estimated duration of 9 years, and for which the annual amount of rent amounts to €5.3 million. It should be noted that the lessor granted the Group a rent franchise of €9.1 million;

- and lease contracts for which the Group applies exemptions permitted by IFRS 16 (Note 3), for which the future rent is estimated at a value of less than €1 million.

Long-term energy purchase contract

On 30 November 2021, the Group signed an energy contract with EDF Renouvelables France group according to the conditions described in paragraph 4.20 "Risk management". This contract gave rise to a guarantee of €6 million.

5.2 Statutory auditors' fees

The atatutory auditors' fees break down as follows:

	Grant Thornton		KPMG		TOTAL	
(in thousands of euros)	2021	2022	2021	2022	2021	2022
Certification of financial statements	**418**	**539**	**376**	**455**	**794**	**993**
OVH Groupe	173	262	154	245	327	507
Fully consolidated subsidiaries	245	276	223	211	468	487
Services other than the certification of financial statement	**1,112**		**1,217**	**157**	**2,329**	**157**
OVH Groupe	1,059		1,217	25	2,276	25
Fully consolidated subsidiaries	53			132	53	132
TOTAL	**1,530**	**539**	**1,593**	**612**	**3,124**	**1,150**

5.3 Transactions with associated companies and other related parties

Transactions with related parties correspond to transactions concluded with:

- SCI OVH, an unconsolidated entity owned up to 14% by the Group, which leases premises to the Group and is controlled by one of its executives;
- AixMétal, a non-consolidated entity controlled by Group shareholders (Klaba family), which is a supplier of metal parts to the Group;
- SCI Immostone, an unconsolidated entity controlled by Group shareholders (Klaba family), which leases premises to the Group;
- KOSC, an associated company which is recognised in the accounting under the equity method and is an XDSL service provider;
- In addition, SCI Immolys, an unconsolidated entity controlled by Group shareholders (Halina and Henryk Klaba), leases premises to the Group. The impacts in the financial statements are not material;
- Hubic SAS (now Shadow), an entity sold by the Group to Jezby Venture SAS, and controlled by a Group shareholder (Octave Klaba), and is also a customer of the Group.

All related-party transactions are presented below.

(in thousands of euros)	SCI OVH	AixMetal	SCI Immostone	KOSC	SCI Immolys	Hubic - Shadow	Others	31 August 2022
Statement of financial position								
Assets	2,958	3,768	1,664	-	339	4,152	400	13,281
Liabilities	2,933	1,912	1,895	-	346	252	178	7,515
Income statement								
Income	-	-	-	-	-	16,513	4	16,517
Operating expenses	46	(8,142)	(540)	-	(39)	(5,142)	(78)	(13,895)
Net finance income (expense)	(63)	(0)	(50)	-	(11)	-	-	(125)
Depreciation and amortisation expenses	(768)	-	(345)	-	(43)	-	-	(1,156)

(in thousands of euros)	SCI OVH	AixMetal	SCI Immostone	KOSC	SCI Immolys	Hubic - Shadow	Others	31 August 2021
Statement of financial position								
Assets	3,632	4,367	1,993	43	383	1,849	100	12,367
Liabilities	3,396	600	2,244	-	384	-	57	6,681
Income statement								
Income	-	-	-	-	-	4,473	7	4,480
Operating expenses	(223)	(6,730)	(536)	-	(11)	-	(22)	(7,523)
Net finance income (expense)	(77)	-	(59)	-	(3)	-	-	(140)
Depreciation and amortisation expenses	(753)	-	(344)	-	(46)	-	-	(1,143)

5.4 Compensation of key executives

The Group's main executives correspond to the management team, which includes the following people:

- Chairman
- Chief Executive Officer
- Chief Financial Officer
- Chief Operations Officer
- Chief Technology Officer
- Chief Industrial Officer
- Chief Service Delivery Officer
- Chief Legal Officer
- Chief Human Resources Officer
- Chief Sales Officer
- Chief Digital Marketing Officer
- Chief Customer Officer
- Chief Strategy Officer
- Chief Information Systems Officer
- Vice-Chief Executive Officers

The compensation of the main executives recorded in the income statement during the period (including social charges and excluding social contributions on the allocation of free shares) is as follows:

(in thousands of euros)	31 August 2021	31 August 2022
Short-term employee benefits	6,942	8,887
Post-employment benefits	(4)	5
Termination benefits	144	577
Share-based payments	545	2,436
Executive compensation	**7,627**	**11,905**

5.5 Group scope

The Group's scope at 31 August 2022 is detailed below.

		2021		2022	
Country	**List of consolidated companies**	**Percentage of interest**	**Consolidation method (1)**	**Percentage of interest**	**Consolidation method (1)**
Germany	OVH DCD Data Center Deutschland GmbH	100%	FC	100%	FC
	OVH BSG GmbH	100%	FC	100%	FC
	OVH GmbH	100%	FC	100%	FC
Australia	Data Center Sydney Pty Ltd.	100%	FC	100%	FC
	OVH Australia Pty Ltd.	100%	FC	100%	FC
Canada	OVH Serveur Inc.	100%	FC	100%	FC
	Technologies OVH Inc.	100%	FC	100%	FC
	Hébergement OVH	100%	FC	100%	FC
	OVH Infrastructure Canada Inc.	100%	FC	100%	FC
	Holding OVH Canada Inc.	100%	FC	100%	FC
Spain	OVH Hispano S.L.	100%	FC	100%	FC
	Altimat Spain S.L.	100%	FC	100%	FC
United States	Data Center Vint Hill LLC	100%	FC	100%	FC
	OVH Holding US Inc.	100%	FC	100%	FC
	OVH Data US LLC	100%	FC	100%	FC
	OVH US LLC	100%	FC	100%	FC
	Data Center West Coast LLC	100%	FC	100%	FC

		2021		2022	
Country	**List of consolidated companies**	**Percentage of interest**	**Consolidation method (1)**	**Percentage of interest**	**Consolidation method (1)**
	OpenIO Inc.	100%	FC	100%	FC
	ForePaaS Inc.	-	-	100%	FC
	NFA Group	100%	FC	100%	FC
	BuyDRM Inc.	100%	FC	100%	FC
France	**OVH Groupe SA**	**100%**	**Parent company**	**100%**	**Parent company**
	OVH SAS	100%	FC	100%	FC
	Media BC	100%	FC	100%	FC
	KOSC	41%	EM	41%	EM
	ForePaaS S.A.S	-	-	100%	FC
Finland	OVH Hosting OY	100%	FC	100%	FC
India	OVHTECH R&D (India)	100%	FC	100%	FC
	OVHDC India Pte. Ltd.	-	-	100%	FC
Ireland	OVH Hosting Ltd.	100%	FC	100%	FC
	OVH BSI Ltd.	100%	FC	100%	FC
Italy	Altimat Italy Srl	100%	FC	0%	NC
	OVH Srl	100%	FC	100%	FC
Lithuania	OVH UAB	100%	FC	100%	FC
Morocco	OVH Hosting SARL	100%	FC	100%	FC
The Netherlands	OVH B.V.	100%	FC	100%	FC
Poland	OVH Sp. Zoo	100%	FC	100%	FC
	Data Center Ozarow Sp. Zoo	100%	FC	100%	FC
Portugal	OVH Hosting Sistemas Informaticos Unipessoal Lda	100%	FC	100%	FC
United Kingdom	OVH Ltd.	100%	FC	100%	FC
	Data Center Erith Ltd.	100%	FC	100%	FC
	OVH BSUK Ltd.	100%	FC	100%	FC
Senegal	OVH SARL	100%	FC	100%	FC
Singapore	Altimat Data Center Singapore Pte Ltd.	100%	FC	100%	FC
	OVH Singapore Pte Ltd	100%	FC	100%	FC
Czech Republic	OVH CZ Sro	100%	FC	100%	FC
Tunisia	OVH SARL	100%	FC	100%	FC
	OVH Tunisie SARL	100%	FC	100%	FC

(1) FC: Full consolidation / EM: Equity method

5.2.2 Statutory auditors' report on the consolidated financial statements

OVH GROUPE S.A.

For the year ended 31 August 2022

To the Annual General Meeting of OVH Groupe,

Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of OVH Groupe for the year ended 31 August 2022.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 August 2022 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the S*tatutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (*code de commerce*) and the French Code of Ethics (*code de déontologie*) for statutory auditors for the period 1 September 2021 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014.

Emphasis of Matter

We draw attention to the following matter described in "New standards, amendments and interpretations with mandatory application from 1 September 2021" from Note 3 "Significant accounting policies used in the consolidated financial statements" to the consolidated financial statements relating to the accounting treatment of configuration and customizing costs for software made available by a supplier as part of a SaaS (Software as a Service) contract. Our opinion is not modified in respect of this matter.

Justification of assessments – Key audit matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Recognition and measurement of non-current assets

Identified risk and main judgments

As stated in Note 1 to the consolidated financial statements, OVH Groupe develops an integrated cloud solution model mainly based on in-house server design and production, data centre construction, and organisation of its fibre optic network. The solutions offered by the Group require substantial investment in infrastructure and servers, new technology and software development, and acquisitions of intangible assets such as patents, licenses, and IP blocks.

At 31 August 2022, the gross and net carrying amounts on the consolidated balance sheet respectively amounted to €270.7 million and €223.5 million for intangible assets, and €2,005.9 million and €989.9 million for tangible assets. These assets are initially recognized at acquisition cost, internal production cost, or fair value if relating to a business combination. Given the annual volume of these non-current assets, and the fact that a significant percentage of them are developed in-house, we considered non-current asset recognition a key audit matter.

Additionally, the Group carries out acquisitions that generate goodwill, the latter amounting to €50.9 million at 31 August 2022.

As stated in the note on main accounting policies, OVH Groupe conducts impairment testing when there is indication of impairment or at least once a year. As such, the Group conducted an impairment test when preparing the consolidated financial statements as at 31 August 2022. The impairment test is based on the value in use of each cash-generating unit (CGU), determined as the discounted present value of expected future cash flows that the assets will produce. To determine value in use, Management must use the judgments and estimates outlined in Notes 3 and 4.12, particularly as regards cash generating ability derived from the strategic plans, the required amount of capital expenditure, growth assumptions pertaining to the global cloud market, discount rates, and perpetual growth rates.

We considered the measurement of non-current assets a key audit matter given the sensitivity of Management assumptions and the material amounts of intangible and tangible assets and goodwill in the consolidated financial statements.

Our audit approach

We examined the accounting principles and internal control arrangement to determine the historical value of intangible assets and property, plant and equipment as well as the depreciation and amortization start dates. Our work mainly involved sampling to test the historical value of these assets and their service start date.

For technologies and software developed in-house, we assessed that the Group's accounting principles were correctly applied, by critically reviewing the eligibility of internal and external capitalized costs out of a sample of technology and software projects.

We also analyzed the impairment testing procedures for goodwill, intangible and tangible assets. We examined the principles used to identify the cash-generating units (CGUs) used by the Group: Private Cloud, Public Cloud and Webcloud & Other.

Additionally, we performed the following procedures pertaining to the impairment testing of each CGU:

- Cross-check cash flows used against the budget approved by the Board of Directors for 2023 financial year,
- Assess, with the support of our valuation specialists:
  - the consistency of assumptions used, compared to achievements of the 2022 financial year and to the market growth forecasts,
  - the appropriateness of the discount rate and perpetual growth rate used, compared to market benchmarks,
  - the appropriateness of the valuation model,
- Use sampling to compare the CGUs net asset value used in the impairment testing to the accounts, and to test the mathematical accuracy of the valuation models,
- Perform our own sensitivity calculations on key assumptions to corroborate Management analyses and assess the potential impacts that a material change to these assumptions would have on the outcome of impairment tests.

Finally, we verified the appropriateness of the information given in Notes 3, 4.10 to 4.12 to the consolidated financial statements.

Impact of the Strasbourg incident

Identified risk and main judgments

As presented in Note 2 under "Significant events during the financial year ended 31 August 2022", a fire broke out at one of the company's data centres in Strasbourg on the night of 9 to 10 March 2021. Service was interrupted for thousands of customers and a certain number lost data. At 31 August 2022, the provision amounts to €24.5 million, and €31 million as at 31 August 2021. The overall cost such as appraisals, procedural and customer claims has not roughly changed

The measurement of the provision to cover estimated appraisal costs, procedural costs and customer claims includes several assumptions as described under "Use of significant judgements and estimates" in Note 3 "Significant accounting policies used in the consolidated financial statements".

We therefore considered the measurement and accounting treatment relating to the Strasbourg fire a key audit matter, given the use of estimates, assumptions and significant judgments by Management to measure the provision as at 31 August 2022.

Our audit approach

For the provision to cover appraisal costs, procedural costs and customer claims, our work consisted of:

- examining the memorandum, prepared by Management with the input of its legal counsel, used to estimate the provision as at 31 August 2021 and updated as at 31 August 2022,
- assessing that the legal grounds and the multi-criteria methodology used to estimate classes of risks allocation arising from customer claims are unaffected by developments of the period,
- reconciling the claim and transaction amounts in the memorandum, which were used to estimate the provision, with actual claims received and transactions actually carried out,
- by class of risk, ensuring that the amount provisioned compared to amounts claimed as at 31 August 2022 was consistent with amounts granted out of amounts demanded, once atypical cases were analysed and excluded.

We interviewed Management to determine that there were no subsequent events that could call into question the estimates and assumptions used to calculate the provision at 31 August 2022.

We also assessed the appropriateness of the information given in Notes 2, 3, 4.7 and 4.21 to the consolidated financial statements.

Revenue recognition

Identified risk and main judgments

At 31 August 2022, revenue in the consolidated income statement amounted to €788.0 million.

As stated in Note 3 under "Significant accounting policies – Revenue recognition", revenue from leases under IFRS 16 "Leases'" corresponds to almost all activities of the Private Cloud operating segment. Other services outside this operating segment fall within the scope of IFRS 15 "Revenue from Contracts with Customers". Revenue is recognised over time since customers simultaneously receive and consume the benefits provided by the entity as it performs the services.

Revenue is a key performance indicator in the tech sector, and for OVH Groupe in particular. Moreover, revenue recognition for the Group requires knowledge of IFRS 15 and IFRS 16 and their related interpretations. Finally revenue is made up of large number of transactions of small individual amounts generated from several IT applications. For all of these reasons, we considered revenue a key audit matter.

Our audit approach

Our work consisted mainly of:

- examining the accounting methods for revenue recognition described above,
- verifying the existence and accuracy of revenue,
- verifying that IFRS 15 and IFRS 16 were correctly applied to the revenue of Public Cloud, Webcloud & Other and Private Cloud.

We also performed the following procedures:

- use data analytics to match the settled invoices and related cash collections, based on exports of the OVH billing application,
- use sampling, additionally, to match bills issued and supporting evidence,
- use data analytics to reconstitute the amount of prepaid income expected at the end of the reporting period, based on exports of the OVH billing application,
- Interview Management to analytically examine monthly revenue from key accounts as well as the underlying contracts.

We also verified the appropriateness of the information given in Notes 3, 4.1 and 4.2 to the consolidated financial statements.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the Group's information given in the management report of the Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Statement of non-financial performance

We attest that the consolidated non-financial performance statement required by Article L. 225-102-1 of the French Commercial Code (Code de commerce) is included in the Group's management report, it being specified that, in accordance with the provisions of Article L. 823-10 of this Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein and this information must be reported on by an independent third party.

Report on other legal and regulatory requirements

Format of the presentation of the consolidated financial statements intended to be included in the annual financial report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the consolidated financial statements intended to be included in the annual financial report mentioned in Article L.451-1-2, I of the French Monetary and Financial Code (code monétaire et financier), prepared under the responsibility of Chief executive officer, complies with the single electronic format defined in Commission Delegated Regulation 2019/815 of 17 December 2018. As it relates to consolidated financial statements, our work includes verifying that the markup of these consolidated financial statements complies with the format defined in the above delegated regulation.

Based on the work we have performed, we conclude that the presentation of the consolidated financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the consolidated financial statements that will ultimately be included by your company in the annual financial report filed with the AMF are in agreement with those on which we have performed our work.

Appointment of the statutory auditors

We were appointed as statutory auditors of OVH Groupe by the annual general meetings held on 10 January 2018 for KPMG S.A. and on 13 October 2011 for Grant Thornton.

As at August 31, 2022, KPMG S.A. and Grant Thornton were in their sixth and twelfth years of total uninterrupted engagement, respectively, of which, for each firm, one year had elapsed since the company's shares had been admitted to trading on a regulated market.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (Code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgement throughout the audit.

Furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit to the Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this audit report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*code de commerce*) and in the French Code of Ethics (*code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine and Paris La Défense, 16 December 2022

French original signed by the statutory auditors

Grant Thornton		**KPMG Audit**	
French Member of Grant Thornton International		**Division of KPMG S.A.**	
Vincent Papazian	Pascal Leclerc	Jacques Pierre	Stéphanie Ortega
Partner	*Partner*	*Partner*	*Partner*

5.3 ANNUAL FINANCIAL STATEMENTS OF THE COMPANY

5.3.1 Financial statements

Statement of financial position: assets

(in thousand euros)	Gross amount	Amort. & deprec. Prov.	31 August 2022	31 August 2021
Intangible assets				
Development costs				
Concessions, patents and similar rights	1,059	1,059		34
Commercial equity				
Other intangible assets	3,114		3,114	5,330
Advances, down payments on intangible assets				
Property, plant and equipment				
Land				
Buildings				
Infrastructure equipment, facilities, industrial plant and equipment				
Other property, plant, and equipment				
Assets under construction				
Advances and down payments				
Financial assets				
Investments under the equity method				
Other investments	473,095	58,000	415,095	191,530
Income from investments	0		0	
Other long-term investments				
Loans	528,966		528,966	480,409
Other financial assets	1,067	92	975	351
NON-CURRENT ASSET	**1,007,301**	**59,151**	**948,150**	**677,653**
Inventories and stock				
Raw materials, supplies				
Work in progress of goods				
Work in progress of services				
Intermediate and finished products				
Goods				
Advances and down payments on orders				
Receivables				
Trade and other receivables	21,999		21,999	35,987
Other receivables	274,154		274,154	241,879
Subscribed capital called but unpaid				
Miscellaneous				
Marketable securities				
(including treasury shares):				
Available cash	7,618		7,618	23,730
Accruals				
Prepaid expenses	341		341	9,855
CURRENT ASSETS	**304,112**		**304,112**	**311,452**
Debt issuance costs to be deferred	7,202		7,202	
Bond redemption premiums				

(in thousand euros)	Gross amount	Amort. & deprec. Prov.	31 August 2022	31 August 2021
Translation differences: assets	5,873		5,873	10,192
GENERAL TOTAL	**1,324,488**	**59,151**	**1,265,337**	**999,298**

Statement of financial position: liabilities

(in thousand euros)	31 August 2021	31 August 2022
Share or individual capital (of which paid-up: 170,779)	170,779	190,540
Share, merger and contribution premiums	97,743	422,529
Revaluation differences (including equity difference)		
Legal reserves	13,600	18,990
Statutory reserves		
Regulated reserves (of which prov. for price fluctuations)		
Other reserves	8,021	7,358
Retained earnings	(74,242)	(69,335)
RESULT FOR THE FINANCIAL YEAR (PROFIT OR LOSS)	**4,907**	**49,133**
Investment subsidies		
Regulated provisions		85
EQUITY	**220,807**	**619,300**
Income from the issue of equity securities		
Conditional advances		
OTHER EQUITY		
Provisions for risks	10,192	5,873
Provisions for expenses		
PROVISIONS	**10,192**	**5,873**
Convertible bond issues		
Other bond issues	67,000	
Loans and debts from credit institutions	641,299	566,634
Miscellaneous loans and financial debts	24,708	42,014
Advances and down payments received on orders in progress		
Financial debt		
Accounts payable	19,806	2,255
Tax and social debts	8,891	4,276
Operating debts		
Accounts payable payable for non-current assets and related accounts	5,330	5,643
Other debt	612	9,983
Miscellaneous debts		
Deferred income		
Accruals		
DEBTS	**767,646**	**630,806**
Translation differences: liabilities	653	9,358
GENERAL TOTAL	**999,298**	**1,265,337**

Income statement

(in thousand euros)	France	Exports	2022	2021
Sales of goods				
Production of goods sold				
Production of services sold	32,443	4,111	36,554	40,087
Net revenue	**32,443**	**4,111**	**36,554**	**40,087**
Inventoried production				
Capitalised production				
Operating subsidies				
Reversals of impairment, provisions (and depreciation), expense transfers			8,736	4,924
Other income			81	
Operating income			**45,372**	**45,011**
Purchases of goods (including customs duties)				
Change in inventory (goods)				
Purchases of raw materials and other supplies				
Change in inventory (raw materials and supplies)				
Other purchases and external expenses			31,992	23,307
Taxes, duties and similar payments			322	307
Wages and salaries			6,262	4,727
Social charges			2,479	1,779
Operating provisions				
On non-current assets: depreciation and amortisation expenses			1,507	8,744
On non-current assets: depreciation and impairment				
On current assets: impairment expenses				
Provisions				
Other expenses			448	3
Operating expenses			**43,010**	**38,868**
OPERATING INCOME			**2,362**	**6,143**
Financial income from investments			137,516	16,052
Income from other securities and receivables from non-current assets			1,388	
Other interest and equivalent income			17,760	4,005
Reversals of provisions, expense transfers			14,027	13,051
Positive translation differences			68,933	6,586
Net income on sales of marketable securities			35,407	
Financial income				**39,694**
Financial allowances to amortisation and provisions			86,638	10,192
Interest and equivalent expenses			63,965	21,540
Negative translation differences			11,029	2,955
Net expenses on disposals of marketable securities			11,644	
Financial expenses				**34,687**

(in thousand euros)	France	Exports	2022	2021
NET FINANCE INCOME (EXPENSE)			**50,878**	**5,007**
PROFIT (LOSS) BEFORE TAX			**53,239**	**11,150**
Exceptional income on management transactions			12,072	
Exceptional income on equity transactions			4	28,292
Reversals of provisions, expense transfers			12,068	
Exceptional income				**28,292**
Exceptional expenses on management transactions			12,301	6
Exceptional expenses on capital transactions				34,649
Exceptional allowances to amortisation and provisions			12,216	
Exceptional expenses			85	**34,655**
EXCEPTIONAL RESULT			**(230)**	**(6,363)**
Employee profit sharing				
Income tax			3,877	(120)
TOTAL INCOME			**194,959**	**112,997**
TOTAL EXPENSES			**145,826**	**108,090**
PROFIT OR LOSS			**49,133**	**4,907**

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

Note 1 Significant events during the period

The financial statements for the financial year below cover the period from 1 September 2021 to 31 August 2022, *i.e.* a period of 12 months.

At 31 August 2022, the statement of financial position total amounted to €1,265,336,872 and revenue was €36,554,098.

1.1 Initial public offering

OVH Groupe S.A. was listed on compartment A of the Euronext Paris regulated market on 15 October 2021 in order to finance its growth strategy, which is to include the financing of its geographical expansion, the construction of data centres, the development of new products and external growth transactions where applicable. The total number of OVHcloud shares newly issued as part of the initial public offering is 18,918,919, with a unit value of €18.50, *i.e.* a primary offering of approximately €350 million.

1.2 Liquidity contract

On 18 January 2022, the Group set up a liquidity contract to ensure an active market for OVH Groupe shares on Euronext Paris. €5 million in cash was allocated to implement this contract.

1.3 Refinancing

Following its initial public offering, on 25 October 2021 OVH Groupe redeemed the full amount of the previous Loan Agreements (Term Loan and Revolving Credit Facility), as well as the Euro PP bonds for an amount of €705.2 million, thanks to the establishment of a new unsecured senior loan agreement with a total principal amount of €920 million (the "New Debt"), to replace the previous Loan Agreements. The New Debt, which is not subject to a guarantee given by OVH Groupe, includes a new term loan of €500 million, with a maturity of 5 years, together with the setting up of a new revolving credit facility (RCF) for a maximum capacity of €420 million with an initial maturity of 5 years eligible to two extended options for one more year each. The RCF was drawn down for €60.1 million.

At the funds release date, the applicable margin will be 1.10% for the term loan against 3.25% in the previous refinancing, and it will be 0.70% in the case of a drawing-down of the revolving credit facility instead of 2.50% in the previous refinancing.

1.4 Company shareholding

The companies MANOVH and MENOVH, two entities combining the Group's employee shareholding (managers and employees), merged into the Company on 18 October 2021, making the shareholders of MANOVH and MENOVH direct shareholders of the Company.

Following the transformation of the Company into a public limited company with a Board of Directors (*société anonyme*) on 28 September 2021, the total number of A Preference shares and C Preference shares were converted into ordinary Company shares as of 18 October 2021. In no way whatsoever does this transaction directly affect either the equity, the income statement, or the cash situation.

Finally, the Group gave the opportunity to its employees to subscribe to a shareholding offer reserved solely for Group employees (Employee Share Plan 2021 or "ESP 2021"). This offer is addressed to Group employees in France and abroad, taking into consideration the contribution covered by the Group and an agreed discount of 30% on the sale share price. On 9 November 2021, the Chief Executive Officer of the Group recorded, the completion of the capital increase linked to this employee shareholding offer for an amount of €9.8 million corresponding to the issuance of 1,365,343 new shares. Following this offer, on the grant date, 97.8% of eligible employees became Group shareholders.

1.5 Macroeconomic environment

The current macroeconomic environment is deteriorated by inflationary trends (in particular the increase in energy costs), and by the war in Ukraine.

The Group has several key assets in this inflationary dynamic:

- OVHcloud operates according to a vertically integrated model, which gives it control of its value chain;
- the Group has set up two interest rate swaps (exchanging the variable rate of the term loan for fixed rates) enabling it to limit the risk induced by interest rate fluctuations;
- the Group uses forward foreign exchange contracts to limit its exposure to potential currency fluctuations;
- the Group obtains its supplies through forward purchase contracts, at a fixed or indexed prices, in order to reduce its exposure to the risk of an increase in the purchase price of energy. OVHcloud has also entered into an energy purchase agreement with the EDF Renouvelables group, providing for the provision by EDFR of electricity from an agrivoltaic park, for the exclusive benefit of the Group. OVHcloud plans to consume 100% of the green energy produced by this park, from January 2025, representing around 25% of the current annual electricity needs in France. This contract provides long-term visibility of the price of the electricity to be supplied.

1.6 Situation in Ukraine

In the deteriorated geopolitical context between Russia and Ukraine, the Group is constantly monitoring its activities in Russia, Belarus and Ukraine. In this context, OVH Groupe SA states that it rigourously complies with the regulations in force.

The Company also specifies that:

- The Company does not have any employees in Ukraine, Russia or Belarus;
- The Company has no service providers (individuals) based in Ukraine;

- The Company has no infrastructure in these three countries;
- The Company has no receivables due in Ukraine, Russia or Belarus as of 31 August 2022.

1.7 Acquisition of ForePaaS

On 20 April 2022, the OVHcloud Group acquired 100% of the shares of ForePaaS, a unified French platform specialising in data analytics, machine learning and artificial intelligence projects for companies, for a purchase price of €19.6 million, including acquisition costs €1.2 million, fully paid in cash. The purchase agreement also provides for a contingent earn-out clause of a maximum of €4.6 million, based on the achievement of operational targets.

1.8 Earn-out – Acquisition of BuyDRM

On 22 July 2021, OVHcloud group acquired 100% of the shares of BuyDRM, a company specialised in digital rights management and content protection for an initial acquisition price of $15.3 million, paid in full in cash. The purchase agreement also provides for a earn-out clause of up to $14 million, contingent on revenue and EBITDA margins for the periods ended 31 August 2022 and 2023, as well as on operational peformance against targets and attendance.

During the financial year, an earn-out was paid in two installments, in April and July 2022, for a total amount of $5.8 million.

1.9 US Holding capital increase

In August 2022, OVH Groupe SA participated in the capital increase of OVH Holding US Inc. by incorporating current accounts that it held with the subsidiaries of OVH Holding US Inc. The total amount of OVH Groupe's participation in this capital increase is €253 million. As a result, the current account impairment with the American entities of €58 million, already recorded in the financial statements in previous years, was reversed in full and an impairment on equity investments was recognised for the same amount as of 31 August 2022.

Note 2 Significant events since the end of the financial year

No significant events are to be reported.

Note 3 Accounting policies and principles

These financial statements have been prepared in accordance with the provisions of ANC Regulation No. 2020-09 amending ANC Regulation No. 2014-03 relating to the French General Accounting Plan.

The general accounting conventions have been applied in accordance with the principle of prudence in accordance with the basic assumptions: going concern, consistency of accounting methods from one financial year to another, independence of financial years as, in accordance with the general rules of establishment and presentation of the annual financial statements.

3.1 Property, plant and equipment and intangible assets

Property, plant and equipment are valued at their acquisition or production cost less reductions, rebates and payment discounts or at their production cost.

Impairment is recognised when the current value of an asset is less than the net carrying amount.

The impairment and depreciation of property, plant and equipment and intangible assets is calculated according to the straight-line or degressive methods, depending on the type of asset and the planned lifetime.

Software and software packages: Straight-line 3 years.

3.2 Financial assets

The Company recognises investment securities (including the acquisition cost of the securities) and the related receivables at historical cost.

At the reporting date, the Company examines the net value of the investment in each subsidiary, which includes investment securities, loan principal and current account advances granted. For each subsidiary, the Company compares the net carrying amount of the investment with its value in use. The value in use is calculated based on the activity of each subsidiary either using the net cash flow method adjusted for net debt (or net available cash position), or according to the share of the net position or by reference to the market value of comparable transactions.

When the value in use falls below the net investment, an impairment loss is calculated, which is charged as a priority to investment securities then to loans and related receivables and current account advances. If the value in use is negative, a provision for risk may be added.

This impairment is reversed when the value in use rises above the net investment and the entity's financial position improves over the long term, with a return to equilibrium.

3.3 Receivables

Receivables are valued at their nominal value. Impairment is recognised when the inventory value is less than the carrying amount.

3.4 Income tax

OVH Groupe is at the head of a tax consolidation group.

The fiscally consolidated companies are:

- MEDIABC SAS;
- OVH SAS;
- OVH Groupe SA (head of the group).

Corporate income tax is recognised taking into account the tax consolidation group.

Note 4 Information on the statement of financial position: assets

4.1 Property, plant and equipment and intangible assets

Property, plant and equipment are valued at their acquisition or production cost less reductions, rebates and payment discounts or at their production cost.

Impairment is recognised when the current value of an asset is less than the net carrying amount.

4.1.1 Table of acquisitions and disposals during the period

(in thousand euros)	31 August 2021	Acquisitions	Item-to- item transfers and correction +/-	Disposals	31 August 2022
Establishment and development costs					
Other intangible assets [(1)]	6,389	9,730		11,945	4,173
Intangible assets	**6,389**	**9,730**	**0**	**11,945**	**4,173**
Land					
Buildings					
General installations and fittings					
Infrastructure equipment, facilities, industrial plant and equipment					
Transport equipment					
Office equipment, IT, furniture					
Recoverable packaging and miscellaneous					
Property, plant and equipment					
Property, plant and equipment under construction [(1)]					
Property, plant and equipment under construction					
Deposits					
TOTAL	**6,389**	**9,730**	**0**	**11,945**	**4,173**

(1) Of which: – Software: €1,059 thousand in 2022, no change over the year

– Intangible assets in progress: €3,114 thousand in 2022 compared to €5,330 thousand in 2021.

5

4.1.2 Amortisation table

The impairment and depreciation of property, plant and equipment and intangible assets is calculated according to the straight-line or degressive methods, depending on the type of asset and the planned lifetime.

Software and software packages: Straight-line 3 years.

(in thousand euros)	31 August 2021	Provisions	Decreases or reversals	31 August 2022
Establishment and development costs				
Other intangible assets	1,025	34		1,059
Intangible assets	**1,025**	**34**	**0**	**1,059**
Land				
Buildings				
General installations and fittings				
Infrastructure equipment, facilities, industrial plant and equipment				
Transport equipment				
Office and IT equipment, furniture				
Recoverable packaging and miscellaneous				
Property, plant and equipment				
TOTAL	**1,025**	**34**	**0**	**1,059**

4.2 Financial assets

TABLE OF MOVEMENTS FOR THE PERIOD

(in thousand euros)	Gross value at 31 August 2021	Acquisitions and item-to-item transfers	Disposals and item-to-item transfers	Gross value at 31 August 2022	Provisions	Net value at 31 August 2022
Investments assessed under the equity method						
Other investments [1]	191,530	281,565	0	473,095	58,000	415,095
Other long-term investments [1]						
Loans and other financial assets [1] [2]	480,760	52,226	2,952	530,033	92	529,941
FINANCIAL ASSETS	**672,290**	**333,791**	**2,952**	**1,003,128**	**58,092**	**945,036**

(1) Concerns affiliated companies.

(2) Other non-current financial assets correspond solely to guarantees for €249 thousand.

In 2020, OVH Groupe set up financing agreements in the form of a Loan Facilities Agreement for a period of seven years for the following subsidiaries:

Subsidiaries	Financing cap	Outstanding at 31 August 2022
OVH SAS	EUR 420 M	EUR 338 M
Data Center Limburg	EUR 70 M	EUR 60 M
Data Center Erith	EUR 60 M	EUR 46 M
OVH Holding Canada	USD 50 M	USD 37 M
Data Center Ozarow	EUR 35 M	EUR 25 M
Data Center Sydney	EUR 10 M	EUR 9 M
Data Center Singapour	EUR 10 M	EUR 6 M
Data Center Singapour	USD 10 M	USD 5 M
Data Center Sydney	AUD 3 M	AUD 0.8 M
Data Center Sydney	USD 7 M	USD 0.6 M
Data Center Erith	GBP 10 M	GBP 0 M
Data Center Ozarow	PLN 40 M	PLN 0 M

TABLE OF SECURITIES AND EQUITY INVESTMENTS

Subsidiaries	Local Currency	Date of most recent reporting period	Capital *(in local currency)*	Reserves and retained earnings before appropriation of income *(in local currency)*	Share of capital held	Gross	Net	Loans and advances granted *(in euros)*	Amount of guarantees and endorsements *(in euros)*	Revenue excluding taxes for the last financial year *(in euros)*	Results (profit or loss for the most recent period)	Dividends received by the Company during the financial year
OVH SAS	EUR	31/08/2022	EUR 10,174,560	EUR 73,969,666	100%	€150,357,784	€150,357,784	€338,185,378		€654,716,023	€(43,276,151)	
OVH Holding Canada	CAD	31/08/2022	CAD 36,306,000	CAD 6,013,813	100%	€26,256,407	€26,256,407	€36,680,100		€4,356,444	€(1,729,136)	
OVH Holding US	USD	31/08/2022	USD 259,750,092	USD (1,825,633)	100%	€254,306,075	€196,306,075				€(345,460)	
BuyDRM	USD	31/08/2022	USD 1,500	USD (91,814)	100%	€18,949,463	€18,949,463			€3,214,306	€(314,749)	
ForePaaS	EUR	31/08/2022	EUR 565,913	EUR (817,945)	100%	€19,021,686	€19,021,686			€436,867	€(2,329,570)	
OVH India	INR	31/03/2022	INR 10,000	INR 75,171,149	100%	€84	€84			€1,723,283	€56,239	
DC India	INR	N/A	INR 336,542,946	INR (0)	100%	€4,230,770	€4,230,770					
						€473,122,268	**€415,122,268**	**€374,865,479**				

Note: The data are taken from the internal reporting system (excluding OVH SAS).

The revenue and annual results of the foreign subsidiaries included in the table have been converted according to the closing rates at 31/08/2022.

4.3 Maturity of receivables

Receivables are valued at their nominal value. Impairment is recognised when the inventory value is less than the carrying amount.

The receivables held by the Company amounted to €826,527 thousand in gross value at 31 August 2022 and break down as follows:

(in thousand euros)	Gross amount	Within one year	More than one year
Income from investments			
Loans	528,966	1,674	527,293
Other financial assets	1,067	818	249
Non-current asset	**530,033**	**2,492**	**527,542**
Trades receivables	21,999	21,999	
Doubtful trade receivables			
Staff and related accounts	213	213	
Social organisations	0	0	
State: miscellaneous taxes and duties	12,958	12,958	
Group and partners	260,525	29,921	230,604
Miscellaneous debtors	481	481	
Prepaid expenses	341	341	
Current assets	**296,494**	**296,494**	
TOTAL	**826,527**	**68,382**	**758,146**
Amount of loans granted during the financial year	49,735		
Amount of redemptions obtained during the financial year			
Loans and advances granted to partners (natural persons)			

The "Loans" item relates to financing contracts in the form of Loan Facilities Agreements, granted by the OVH Groupe to certain subsidiaries held directly or indirectly, mainly OVH SAS (€338 million).

The "Group and partners" item includes cash made available to subsidiaries under a "Daily Loans and Investments – cash management centralisation" contract. The cash management centralisation account changes according to the cash requirements or cash generated by the Group's entities.

4.4 Trade and other receivables

(in thousand euros)	Net at 31 August 2021	Gross amount	Amort. & deprec. Prov	Net at 31 August 2022
Trade and other receivables	35,987	21,999		21,999
Other receivables	241,879	274,154		274,154
Subscribed capital called but unpaid				
TOTAL	**277,866**	**296,153**		**296,153**

Other receivables: of which €260 million in "daily loans" to Group subsidiaries.

4.5 Accrued income

The totals recorded in statement of financial position for receivables under the following items are as follows:

(in thousand euros)	31 August 2021	31 August 2022
Discounts, rebates and payment deductions to be obtained		
Accrued interest on loans	2,850	1,674
Customers – Invoices to be issued	19,534	13,661
State – Receivables	307	0
Accrued interest on current account	2,910	6,199
TOTAL	**25,601**	**21,534**

The "Customers – Invoices to be issued" item relates to intragroup receivables.

4.6 Accruals

4.6.1 Prepaid expenses

Prepaid expenses amounted to €341 thousand.

(in thousand euros)	31 August 2021	31 August 2022
Operating expenses	9,855	341
Financial expenses		
Exceptional expenses		
TOTAL	**9,855**	**341**

In 2021, prepaid expenses mainly corresponded to fees incurred as part of the IPO project.

4.6.2 Translation differences

(in thousand euros)	Difference: assets
Decrease in receivables	80
Increase in debts	5,793
TOTAL	**5,873**

(in thousand euros)	Difference: liabilities
Decrease in debt	1,284
Increase in receivables	8,074
TOTAL	**9,358**

4.6.3 Deferred expenses

Deferred expenses for the period amounted to €8,675 thousand and relate to the signature of a bank financing contract in 2021. These loan issue costs are amortised over the term of the loan, *i.e.* five years.

The amount of amortisation recorded during the financial year is €1,472 thousand, *i.e.* a balance of expense to be deferred of €7,206 thousand at 31 August 2022.

4.7 Receivables from affiliated companies

(in thousand euros)	31 August 2021	31 August 2022
Income from investments		
Other long-term investments		
Other non-current receivables	480,409	528,966
Trade and other receivables	35,975	21,999
Other receivables	294,549	266,229
TOTAL GROUP AND PARTNERS	**810,933**	**817,194**

Note 5 Information on the statement of financial position: liabilities

5.1 Equity

5.1.1 Change in equity

(in thousand euros)	N-1	+	-	N
Capital	**170,779**	**54,162**	**34,401**	**190,540**
Share premiums	30,455	340,638	15,852	355,241
Special reserves	67,287			67,287
Legal reserves	13,600	5,390		18,990
Other reserves	8,021		663	7,358
Retained earnings	(74,243)	4,907		(69,335)
Profit or loss	4,907	49,133	4,907	49,133
Investment subsidies				
Regulated provisions				
Others				
TOTAL	**220,806**	**454,673**	**55,823**	**619,214**

Appropriation of net income for the 2021 financial year

The financial statements for the 2020 financial year showed a profit of €4,907 thousand. According to the OGM decision approving the financial statements, this profit was allocated in full to “Negative retained earnings”.

5.1.2 Composition of the share capital

(in euros)	Number of shares	Nominal Value	Capital Value
Position at the beginning of financial year			
Ordinary shares	136,378,003	1	136,378,003
A preference shares	27,968,123	1.23	34,400,791
C preference shares	2	1	2
MOVEMENTS:			
Ordinary shares	54,162,422	1	54,162,422
A preference shares	(27,968,123)	1.23	(34,400,791)
C preference shares	(2)	1	(2)
TOTAL	**190,540,425**		**190,540,425**

Share capital at 31 August 2021

At 31 August 2021, the share capital was composed of ordinary shares with a par value of 1 euro and two categories of preference shares (A and C) with a par value of 1.23 euro for A preference shares and of 1 euro for C preference shares. It amounted to €170.8 million and consisted of 136,378,003 ordinary shares, 27,968,123 A preference shares and two C preference shares.

At 31 August 2021, the Group’s share capital was 79% held by the founder’s family, 17% by investment funds and 4% by some Group employees as part of a share allocation plan.

Share capital at 31 August 2022

Following the various shareholding transactions of the Company that took place in connection with its IPO (merger of MANOVH and MENOVH into the Company, conversion of A preference shares and C preference shares into ordinary shares of the Company, Shareholding offer reserved for Group employees and the acquisition of free shares under the allocation plans granted in February 2021 and July 2021, as detailed in Notes 2 and 4.24), the share capital is composed of: 190,540,425 ordinary shares with a par value of €1.

Capital increases and decreases

For the period ended 31 August 2022, the following transactions were carried out by decision of the shareholders:

- On 18 October 2021: capital reduction of €1,165,047 (in consideration for the share premium) corresponding to:
  - Capital reduction of a nominal amount of €6,432,668.29, following the reduction in the nominal value of the A preference shares from €1.23 to €1 per class A preference share,
  - Capital increase for a nominal amount of €5,267,621, through the issue of 33,235,744 ordinary shares with a par value of €1 each following the conversion of all preference shares into ordinary shares;
- On 18 October 2021: capital increase of €18,918,919, through the issue of 18,918,919 new shares with a par value of €1, by public offering with waiver of preferential subscription rights;
- On 9 November 2021: capital increase in respect of the employee shareholding offer ("ESP 2021") for an amount of €1.4 million, corresponding to the issue of 1,365,343 shares with a par value of €1 (of which 702,269 new shares and 663,074 shares created through the incorporation to the capital of €663,074 from the "reserves" account in respect of the matching contribution);
- On 23 February 2022: capital increase of €442,186 by incorporation of share premiums through the issue of 442,186 ordinary shares;
- On 20 July 2022: capital increase of €200,183 by incorporation of share premiums through the issue of 200,183 ordinary shares.

5.1.3 Free shares

The General Meeting of 10 October 2017 authorised the allocation of a maximum of 4,590,562 free ordinary shares with a four-year service condition. The identity of the beneficiaries and the date of allocation are determined by the Chairman.

Summary of the free shares

Grant date	October 2017	February 2019	July 2020	February 2021	July 2021
Total number of free shares granted	1,108,049	1,776,316	385,236	442,186	250,876
Number of beneficiaries	33	35	23	32	22
Vesting period	4 years	4 years	4 years	1 year	1 year
Estimate of the percentage of employees who will fulfil the service conditions	57%	87%	93%	93%	100%
Fair value of ordinary shares at the grant date *(in euros)*	7.48	8.46	10.2	10.75	20
Expected dividends	-	-	-	-	-

Movements during the period

The following table illustrates the number and movements of free shares issued in the period:

(in numbers of shares)	31 August 2021	31 August 2022
Outstanding at beginning of the period	**2,722,116**	**3,274,381**
Movements		
Allocated during the period	693,162	0
Lapsed during the period	(140,897)	(50,793)
OUTSTANDING AT END OF PERIOD	**3,274,381**	**3,223,588**

No allocation during the period.

Social charges relating to free shares amounted to €1,339 thousand for the 2022 financial year.

5.2 Statement of provisions

(in thousand euros)	31 August 2021	Provisions	Reversals	31 August 2022
Provisions for foreign exchange losses	10,192	5,873	10,192	5,873
TOTAL	**10,192**	**5,873**	**10,192**	**5,873**

5.3 Statement of debt maturities

(in thousand euros)	Gross amount at financial year-end	< 1 year	> 1 year < 5 years	> 5 years
Convertible bond issues				
Other bond issues (1)				
Loans and debts from credit institutions (2)				
up to one year at the outset				
more than one year at the outset	566,634	1,634	564,000	1,000
Miscellaneous loans and financial debts	42,014	42,014		
Accounts payable	2,255	2,255		
Staff and related accounts	2 242	2 242		
Social security and other social organisations	1,167	1,167		
State and other public authorities				
Income tax				
Value added tax	685	685		
Guaranteed bonds				
Other taxes and related accounts	182	182		
Accounts payable payable for non-current assets and related accounts	5,643	5,643		
Group and partners				
Other debt	9,983	9,983		
Debts representing securities borrowed or pledged as collateral				
Deferred income				
TOTAL	**630,806**	**65,806**	**564,000**	**1,000**
Loans subscribed during the financial year	560,000			
Loans repaid during the financial year	701,100			

(1) Bond issue characteristics.

(2) Characteristics of the main bank loans.

The “Miscellaneous loans and financial debts” item corresponds to intragroup current accounts, mainly including the subsidiary DC Ozarow for a total of €20 million.

5.4 Accounts payable

(in thousand euros)	31 August 2021	31 August 2022
Accounts payable	7,673	5,286
Notes payable		
Suppliers and invoices not received	12,133	2,613
NET CARRYING AMOUNT	**19,806**	**7,899**

5.5 Accrued expenses

The totals recorded in the statement of financial position for accrued expenses under the following items are as follows:

(in thousand euros)	31 August 2021	31 August 2022
Accounts payable	19,806	2,255
Tax and social debts	8,891	4,300
Operating debt		
Convertible bond issues		
Other bond issues	67,000	
Loans and debts from credit institutions	641,299	566,634
Miscellaneous borrowings and financial debt (including private borrowings)	24,708	42,014
Advances and down payments received on orders in progress		
Financial debt		
Accounts payable payable for non-current assets and related accounts	5,330	5,643
Other debt	612	9,983
Miscellaneous debts		
Deferred income		
Accruals		
DEBTS	**767,646**	**630,805**

5.6 Debt with affiliated companies

Amounts for affiliated companies correspond to:

(in thousand euros)	31 August 2021	31 August 2022
Debt/consolidated affiliates in France		
Debt/consolidated affiliates	24,708	42,013
Suppliers Groups	383	401
Invoices not received	2,761	0
Credit notes to be issued	612	0
TOTAL	**28,464**	**42,414**

Note 6 Information on the income statement

6.1 Breakdown of net revenue

Revenue for the 2021 breaks down as follows:

(in thousand euros)	Total 2021	France	2021 r EEC + Export	Total 2022
Sales of goods				
Sales of finished products				
Production of services sold	40,087	32,443	4,111	36,554
REVENUE	**40,087**	**32,443**	**4,111**	**36,554**
%	100%	88.75%	11.25%	100.00%

Revenue relates to intragroup management fees.

6.2 Other operating income

(in thousand euros)	2021	2022
Inventoried production		
Capitalised production		
Other miscellaneous management income and operating subsidies		81
Reversal of depreciation and provisions, transfer of expenses (1)	4,924	8,736
TOTAL	**4,924**	**8,817**

(1) This amount mainly consists of the transfer to the statement of financial position of expenses incurred in the implementation of the new financing contract for €8,675 thousand. These expenses are spread over the duration of the financing. During the 2021 financial year, this amount mainly consisted of the reversal of the impairment of the DDIS current account for €4,854 thousand following the disposal carried out during the financial year.

6.3 Net finance income (expense)

Net finance income (expense) for the period amounted to €50,878 thousand and breaks down as follows:

(in thousand euros)	2021	2022
Financial income from investments	16,052	1,388
Income from other securities and receivables from non-current assets (1)		17,760
Other interest and equivalent income	4,005	14,027
Reversals of provisions and expense transfers	13,051	68,933
Positive translation differences	6,586	35,407
Net income on disposal of marketable securities		1,388
Financial income	**39,694**	**137,516**
Financial allowances to amortisation and provisions	10,192	63,965
Interest and equivalent expenses	21,540	11,029
Negative translation differences	2,955	11,644
Net expenses on disposals of marketable securities		
Financial expenses	**34,687**	**86,638**
NET FINANCE INCOME (EXPENSE)	**5,007**	**50,878**

(1) Interest on current accounts and intragroup revolving loans.

Of which:

- financial income with affiliated companies: €33,175 thousand;
- financial expenses with affiliated companies: €1,045 thousand.

The amount of reversals on provisions and transfer of expenses is composed of:

- in 2022:
  - reversal of provision for unrealised foreign exchange losses for €10,192 thousand;
  - reversal of provision for CC US impairment for €58,740 thousand.
- In 2021:
  - reversal of the provision for unrealised foreign exchange losses for €11,363 thousand;
  - reversal of the provision for impairment of DDIS shares for €1,689 thousand.

The amount of financial allocations for depreciation and provisions is composed of:

- in 2022: provision for unrealised foreign exchange losses of €5,873 thousand;
  - provision for impairment of US Holding shares for €58,000 thousand.
- In 2021:
  - provision for unrealised foreign exchange losses of €10,192 thousand.

6.4 Exceptional result

The exceptional result for the period of €(230) thousand breaks down as follows:

(in thousand euros)	2021	2022
Exceptional income on management transactions		4
Exceptional capital income (1)	28,292	12,068
Reversals of provisions and expense transfers		
EXCEPTIONAL INCOME	**28,292**	**12,072**
Exceptional expenses on management transactions	6	
Exceptional expenses on capital transactions (1)	34,649	12,216
Exceptional allowances to amortisation and provisions		85
EXCEPTIONAL EXPENSES	**34,655**	**12,301**
EXCEPTIONAL RESULT	**(6,363)**	**(230)**

(1) The item includes the disposal of non-current assets to OVH SAS for a total of €11,945 thousand.

6.5 Income tax

OVH Groupe is at the head of a tax consolidation group.

The fiscally consolidated companies are:

- MEDIABC SAS;
- OVH SAS;
- OVH Groupe SA (head of the group).

Corporate income tax is recognised taking into account the tax consolidation group.

The overall taxable income was nil as of 31 August 2022 and breaks down as follows:

Total taxable income (in euros)	2022
MEDIABC	7
OVH SAS	(47,075)
OVH GROUPE	47,774
Tax consolidation restatement	0
Losses charged to the result for the financial year	(707)
TOTAL	**0**

6.6 Breakdown of corporate income tax

The tax due relating to the current and exceptional income was calculated by multiplying the effective tax rate by the accounting current and exceptional income, adjusted for the reintegration and tax deductions of current and exceptional expenses.

(in thousand euros)	Current	Exceptional	Total
Profit (loss) before tax	53,240	(230)	53,009
Tax [(1)]	3,877	0	3,877
Income after tax	49,363	(230)	49,133

(1) Including €3,724 thousand of corporate tax on IPO fees.

Note 7 Miscellaneous information

7.1 Average number of employees and temporary staff

For the 2022 financial year, the average number of employees breaks down as follows:

2022	Headcount
Executives	14
Supervisors, technicians and employees	
Workers	
TOTAL	**14**

7.2 Commitments given

As of 31 August 2022, the off-balance sheet commitments given by OVH Groupe are as follows:

- Deposits, guarantees and bank guarantees vis-à-vis Société Générale:

Amount	Reason	Maturity
EUR 719,095	SURAVENIR lessor lease agreement	07/04/2027
EUR 46,404	GENERALI ESPANA lessor lease agreement	31/12/2023

- Deposits, guarantees and bank guarantees vis-à-vis HSBC bank:

Autonomous guarantees granted by OVH GROUPE to HSBC France in respect of HSBC France counter-guarantees for the issue by a local HSBC subsidiary of a guarantee in favour of a local third party as counterparty to the local OVH subsidiary.

Amount	Reason	Maturity
EUR 70,119	Compagnie Générale Immobilière lessor lease agreement	11/03/2029
EUR 51,310	SCPI Notapierre lessor lease agreement	End of lease
EUR 60,000	EUROSIC lessor lease agreement	30/09/2025
EUR 62,975	Société Epargne Foncière lease agreement	End of lease
EUR 159,326	DEKA IMMOBILIEN INVESTMENT GMBH lessor lease agreement	14/10/2025
EUR 12,384	Alrisa-Sociedade Imobiliaria lessor lease agreement	15/09/2022
EUR 70,433	Roma central Pte Ltd lessor lease agreement	30/12/2023
EUR 54,457	HELIOS lessor lease agreement	15/07/2030

7.3 Foreign exchange transactions

The total amount of commitments at 31 August 2022 related to financial instruments is €103,933 thousand. The fair value of these financial instruments was €(205) thousand.

The breakdown is as follows:

- **investment hedges in USD**: investments are mainly purchased in USD at the level of the Group's subsidiaries. These flows are hedged against the EUR/USD foreign exchange risk using foreign exchange derivatives (only forward purchases at 31 August). These transactions are carried out by OVH Groupe with the bank counterparties and then brought down to the subsidiaries by setting up transactions in the opposite direction. Thus, the total amount of forward purchases in EUR USD traded with banks at the closing rates on 31 August 2022 was €48,000 thousand with an unfavourable fair value of €(280) thousand. This amount is fully offset by transactions carried out in the opposite direction with the subsidiaries concerned;
- **hedging of foreign currency accounts**: when a subsidiary has cash surpluses, these are repatriated to OVH Groupe as part of the optimisation of the use of the Group's cash, and are subject to short-term cash swaps term (1 month) when they are in a currency other than EUR. The total amount of cash swaps at closing rates on 31 August 2022 was €55,933 thousand with a favourable fair value of €75 thousand.

7.4 Foreign exchange transactions

The amount of commitments at 31 August 2022 related to interest rate hedging instruments was €375 million with a favourable fair value of €11.7 million (interest rate swaps, exchanging the variable rate of the term loan for fixed rates). The Group has set up these instruments to limit the risk induced by interest rate fluctuations on the cost of its new €500 million term loan maturing in October 2026.

7.5 Executive compensation

This information is not disclosed as it would result in the disclosure of individual information.

7.6 Commitment in terms of retirement benefits

Pension commitments ***(in thousands of euros)***	**Provisioned**	**Not provisioned**	**Total**
IDR		31	31
Pension commitments to former executives			
Coverage of mutual health contributions for retired employees			
TOTAL		**31**	**31**

The pension commitment is calculated using the projected unit credit method:

- Discount rate: 3.20%
- Average annual rate of compensation increase: 3%
- Employee departure rate: 6.45%
- Retirement age: 63 years Managers; 62 years Non-managerial staff
- Social charges rate: 45%
- Collective agreement used to calculate compensation: Technical consulting firms

7.7 Information on transactions with related parties

No information provided due to the exclusion provided for in Article 833-16 of the General Accounting Plan allowing data relating to transactions carried out by the Company with wholly-owned subsidiaries not to be disclosed.

5.3.2 Statutory Auditors' report on the parent company financial statements

OVH Groupe S.A.

For the year ended 31 August 2022

To the Annual General meeting of OVH Groupe,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meetings, we have audited the accompanying annual financial statements of OVH Groupe S.A. for the year ended 31 August 2022.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 August 2022 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (*Code de commerce*) and the French Code of Ethics (*Code de déontologie*) for statutory auditors for the period from 1 September 2021, to the date of our report, and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) N°537/2014.

Justification of assessments – Key audit matters

Pursuant to the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to justification of our assessments, we draw your attention to the key audit matters which, in our professional judgement, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on specific items of the financial statements.

Valuation of investment securities and loans

Identified risk and main judgments

As at 31 August 2022, a gross amount of €944.1 million in equity investments and receivables from equity investments was recognised on the balance sheet, i.e. 75% of total assets. They were recognised at acquisition cost.

Impairment is recognised when a carrying amount is higher than value-in-use, measured as one of the following depending on each subsidiary's activity:

- share of underlying profit or loss,
- business value based on forecast net debt-adjusted cash flow, or
- market value based on comparable transactions.

We considered the measurement of the carrying amount of equity investment and receveibalesconsidered the measurement of the carrying amount of equity investments and receivables from equity investments a key audit matter, given the relative weight of these assets on the balance sheet and the importance of Management judgments concerning them, particularly as regards cash flow assumptions.

Our audit approach:

Our work involved:

- for measurements based on share of profit or loss: verifying that the share used was consistent with the financial statements of the individual entities,
- for measurements based on forecasts:
  - assessing the appropriateness of the valuation model,
  - obtaining the entities' cash flow forecasts and analysing them by asking Management about growth expectations,
  - analysing the appropriateness of the discount rate and the perpetual growth rate compared to market benchmarks,
- for measurements based on market values:
  - analysing the consistency of comparable companies used to determine valuation multiples.

We also assessed the consistency of information presented in Notes 3.2 and 4.2 "Financial assets" of the Notes to the financial statements.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

Information given in the management report and in the other documents with respect to the financial position and the annual financial statements provided to Shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the other documents with respect to the financial position and the financial statements provided to the Shareholders.

In accordance with French law, we inform you that the information relating to payment deadlines mentioned in Article D.441-6 of the French Commercial Code (*code de commerce*) is fairly presented and consistent with the financial statements.

Information relating to corporate governance

We attest that the Board of Directors' report on corporate governance sets out the information required by Articles L.225-37-4, L.22-10-10 and L. 22-10-9 of the French Commercial Code (*code de commerce*).

Concerning the information given in accordance with the requirements of Article L.22-10-9 of the French Commercial Code (*code de commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from controlling and controlled companies. Based on these procedures, we attest that this information is fairly presented and accurate.

With respect to the information relating to items that your company considered likely to have an impact in the event of a takeover bid or exchange offer, provided pursuant to Article L.22-10-11 of the French Commercial Code (code de commerce), we have verified that this information is consistent with the source documents communicated to us. Based on these procedures, we have no matters to report on this information.

Other information

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting has been properly disclosed in the management report.

Report on other legal and regulatory requirements

Format of the presentation of the annual financial statements intended to be included in the annual financial report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the financial statements to be included in the annual financial report mentioned in Article L.451-1-2, I of the French Monetary and Financial Code (*code monétaire et financier*) complies with the single electronic format defined in Commission Delegated Regulation 2019/815 of December 17, 2018.

Based on the work we have performed, we conclude that the presentation of the financial statements to be included in the annual financial report complies, in all material respects, with the European single electronic report format.

It is not our responsibility to verify that the financial statements that will ultimately be included by your company in the annual financial report filed with the AMF are in agreement with those on which we have performed our work.

Appointment of the Statutory Auditors

We were appointed as statutory auditors of OVH Groupe by the annual general meetings held on 10 January 2018 for KPMG S.A. and on 13 October 2011 for Grant Thornton, it being specified that OVH Groupe became a public interest entity at the time of its listing on the stock exchange on 15 October 2021.

As of 31 August 2022, KPMG S.A. was in its sixth year of uninterrupted engagement and Grant Thornton was in its twelfth year of uninterrupted engagement, of which, for each firm, one year had elapsed since the company's shares had been admitted to trading on a regulated market.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management deems necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report any significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics (code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine, and Paris La Défense, 16 December 2022

French original signed by, the statutory auditors

Grant Thornton		**KPMG Audit**	
French Member of Grant Thornton International		**Division of KPMG S.A.**	
Vincent Papazian	Pascal Leclerc	Jacques Pierre	Stéphanie Ortega
Partner	*Partner*	*Partner*	*Partner*

5.4 OTHER INFORMATION

Company results for each of the last five reporting periods

	2018	2019	2020	2021	2022
SHARE CAPITAL AT END OF PERIOD					
Share capital *(in millions of euros)*	175.1	176.1	170.4	170.8	190.5
Number of shares outstanding	167.2	168.2	164.0	164.3	190.5
COMPREHENSIVE INCOME FROM TRANSACTIONS *(in millions of euros)*					
Revenue (excluding taxes)	14.0	18.3	23.4	40.1	36.6
Profit (loss) before tax, profit-sharing, depreciation, amortisation, provisions and impairment	2.0	6.7	3.8	10.7	49.6
Income tax	(0.7)	(0.7)	(1.6)	(0.1)	3.9
Employee profit sharing				-	-
Profit (loss) after tax, profit-sharing, depreciation, amortisation, provisions and impairment	(0.8)	(52.6)	(9.5)	4.9	49.1
Distributed income	-	-	-	-	-
EARNINGS PER SHARE *(in euros)*					
Profit (loss) after tax and profit-sharing, but before depreciation, amortisation, provisions and impairment	0.02	0.04	0.03	0.07	0.24
Profit (loss) after tax and profit-sharing, depreciation, amortisation, provisions and impairment	(0.01)	(0.03)	(0.06)	0.03	0.26
Net dividend allocated	-	-	-	-	-
STAFF					
Number of employees (average headcount)	9	9	9	10	14
Payroll *(in millions of euros)*	3.7	5.8	4.9	4.7	6.3
Amounts paid for employee benefits *(in millions of euros)*	2.6	4.1	3.4	1.8	2.5

Payment terms for suppliers and customers

	Article D. 441 I.- 1°: Invoices received and not paid at the reporting date of the financial year whose term has expired						Article D. 441 I.- 1°: Invoices issued but not paid at the reporting date of the financial year whose term has expired					
	0 days (indicative)	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days and over**	**Total (1 day and over)**	**0 days (indicative)**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days and over**	**Total (1 day and over)**
Late payment tranches												
Number of invoices concerned	12	7	18	5	72	**102**	3	64				**64**
Total amount of invoices concerned (incl. tax in € million)	0.2	0.2	0.1	0.1	0.4	**0.9**	4.1	4.2				**4.2**
Provisioned amount:												
Of which Group												
Percentage of the total amount of purchases for the financial year (incl. tax)	0.8%	0.6%	0.5%	0.3%	1.4%	**2.8%**						
Percentage of revenue for the financial year (incl. tax)							9.5%	9.8%	0.0%	0.0%	0.0%	**9.8%**

Amount of inter-company loans

The Company did not grant any inter-company loans in the period ended 31 August 2021 (loans of less than two years granted to micro-enterprises, SMEs and mid-sized companies with which OVH Groupe SA has economic links).

Additional tax information

In the period ended 31 August 2022, the expenses and charges referred to in Article 39-4 of the French General Tax Code amounted to €62,675. In accordance with Article 223 *quater* of the French General Tax Code, this amount will be submitted to the Company's Ordinary General Shareholders' Meeting for approval.

5.5 DATE OF LATEST FINANCIAL INFORMATION

31 August 2022.


OVHcloud
OVHcloud